



STATE OF CALIFORNIA

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PROCEDURES OF

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

IMPLEMENTING THE ALLOCATION OF THE STATE CEILING

ON QUALIFIED PRIVATE ACTIVITY BONDS

ADOPTED JULY 21, 2004

TABLE OF CONTENTS

SECTION 1. PURPOSE	Page 4
SECTION 2. DEFINITIONS	Page 4
SECTION 3. DETERMINATION OF THE STATE CEILING	Page 12
SECTION 4. ALLOCATION OF THE STATE CEILING	Page 12
SECTION 5. MEETINGS OF THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE	Page 15
SECTION 6. PROCESS FOR FILING APPLICATIONS	Page 15
SECTION 7. PERFORMANCE DEPOSIT	Page 17
SECTION 8. FILING FEE	Page 17
SECTION 9. CREDIT ENHANCEMENT	Page 18
SECTION 10. COMMITTEE RESOLUTION; USE OF THE STATE CEILING ALLOCATIONS	Page 19
SECTION 11. EXPIRATION OF ALLOCATIONS AND EXTENSIONS	Page 20
SECTION 12. TRANSFERS OF ALLOCATION	Page 20
SECTION 13. CARRYFORWARD ELECTIONS	Page 21
SECTION 14. REPORTING	Page 21
SECTION 15. CERTIFICATIONS	Page 21
SECTION 16. EVALUATION CRITERIA APPLICABLE TO ALL APPLICATIONS	Page 22
SECTION 17. ALLOCATION SYSTEM FOR QUALIFIED RESIDENTIAL RENTAL PROJECTS	Page 23
SECTION 18. ALLOCATION SYSTEM FOR SINGLE-FAMILY HOUSING PROGRAMS	Page 33
SECTION 19. ALLOCATION SYSTEM FOR THE EXTRA CREDIT HOME PURCHASE PROGRAM POOL	Page 36
SECTION 20. ALLOCATION SYSTEM FOR SMALL-ISSUE INDUSTRIAL DEVELOPMENT BOND PROJECTS	Page 38
SECTION 21. ALLOCATION SYSTEM FOR EXEMPT FACILITY PROJECTS	Page 44

SECTION 22. ALLOCATION SYSTEM FOR STUDENT LOAN PROGRAMS

Page 46

SECTION 23. APPEALS

Page 47

SECTION 24. INQUIRIES

Page 48

EXHIBIT A. AFFORDABILITY MATRIX

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THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

PROCEDURES IMPLEMENTING THE STATE CEILING ON QUALIFIED PRIVATE ACTIVITY BONDS

Section 1. Purpose

- I. These procedures implement the Federal Tax Reform Act of 1986, 26 U.S.C. Sections 141, et seq., as amended, which establishes a unified volume ceiling on the aggregate amount of Qualified Private Activity Bonds which can be issued in each state.
- II. These procedures set forth the priorities and the allocation system of the California Debt Limit Allocation Committee in managing the allocation of California's annual State Ceiling on Qualified Private Activity Bonds as provided in Sections 8869.80, et seq. of the California Government Code, as amended.
- III. These procedures establish the process by which potential issuers of Qualified Private Activity Bonds may apply for, and be awarded, an allocation of the annual State Ceiling in accordance with the provisions and requirements of 26 U.S.C. Sections 141, et seq., as amended, and California Government Code Sections 8869.80, et seq., as amended.

Section 2. Definitions

"Academic Performance Index" means the index created by the Public Schools Accountability Act of 1999 to measure the performance of schools, especially the academic performance of pupils, and to demonstrate comparable improvement in academic achievement by all numerically significant ethnic and socio-economically disadvantaged subgroups within schools. (Education Code 52052)

"Allocation" means the amount of the State Ceiling awarded by the Committee to an Applicant.

"Allocation Round" means a meeting or series of meetings of the Committee during which a predetermined portion of the State Ceiling is made available for allocation by the Committee to one or more Applicants selected by the Committee during that meeting or series of meetings.

"Alternative School" means a continuation school, county school, Charter School or other school that meets the definition of alternative school pursuant to Education Code section 58500.

"API" means the Academic Performance Index.

"Applicable Median Family Income" means the applicable median family income defined by 26 U.S.C. Section 143(f)(4) except that the definition of income contained in subsection B of 26 U.S.C. Section 143(f)(4) shall not apply to Applicants for a Single-Family Housing Program.

"Applicant" means any state or local governmental agency, joint powers authority (JPA), special district, non-profit public benefit corporation that issues only student loan bonds, or any other public agency that is empowered to issue debt.

"Application" means the request by an Applicant to the Committee for an Allocation of the State Ceiling.

"Area Median Income" means the median family income of a county as set by the U.S. Department of Housing and Urban Development.

"Bond Regulatory Agreement" means the agreement between the Issuer, Project Sponsor, and any other third party related to the ownership, financing, and management of a proposed Qualified Residential Rental Project that binds the parties to the commitments made in the Application that resulted in the Allocation for the project and any other requirements mandated by 26 U.S.C. Section 142.

“California Environmental Quality Act Review Process” means a process of environmental review as defined by California Public Resources Code Sections 21000, et seq.

“Census Designated Place” means a place designated as a census designated place by the Bureau of the Census.

“CHFA” means the California Housing Finance Agency.

“Charter School” means a charter school established pursuant to Education Code section 47600, et seq., and that is within the jurisdiction of the authority that approved it, and either 1) has an API ranking of 1-5; or 2) does not have an API ranking but 70% or more of the charter school’s pupil enrollment is eligible for free or reduced price meals.

“CIDFAC” means the California Industrial Development Financing Advisory Commission.

“CIEDB” means the California Infrastructure and Economic Development Bank.

“Committee” means The California Debt Limit Allocation Committee established by California Government Code Sections 8869.80, et seq.

“Committee Resolution” means, for any Allocation, the resolution duly adopted by the Committee that among other things, memorializes the grant of the Allocation by the Committee to the Applicant as contemplated by Section 10 of these Procedures.

“Community Revitalization Area” means a Distressed Community for which a comprehensive Community Revitalization Plan has been adopted and efforts specific to the plan have occurred.

“Community Revitalization Plan” means a comprehensive plan adopted by a public entity that details specific efforts being undertaken in a neighborhood or a community, that will result in the improvement of the economic conditions and the quality of life in that area.

“Credit Enhancement” means the additional assurance provided by a third party pursuant to a payment guaranty, letter of credit, bond insurance or other similar vehicle with a marketable investment grade credit rating.

“Credit Enhancer” means the party providing Credit Enhancement. Applicants, other than CHFA, who provide assets, guaranties or revenues for a transaction are not Credit Enhancers for the purpose of these Procedures.

“CTCAC” means the California Tax Credit Allocation Committee.

“CTCAC Extended Low-Income Housing Commitment Agreement” means the agreement between the taxpayer and the housing credit agency binding the parties to the commitments made in the application to the CTCAC that resulted in the allocation of low income housing tax credits for the project and any other requirements mandated by 26 U.S.C. Section 42.

“CTCAC Regulations” means the regulations adopted by CTCAC and set forth at Title 4, California Code of Regulations Sections 10300, et seq., as amended.

“Debt Service Coverage Ratio” means the ratio of the net operating income from the project divided by the required debt service on the debt associated with the project.

“Deferred-Payment Financing” means any financing from a public entity in the form of grants, subsidies or loans where the repayment of the financing is deferred into the future or based on residual receipts from the project’s cash flow.

“Distressed Community” means a community that the Applicant demonstrates to the satisfaction of the Executive Director is any one or more of the following:

1. A community with an unemployment rate equal to or greater than 125% of the statewide average based on the California Employment Development Department's most recent annual average for sub-county areas.
2. A community with median family income of less than 80% of the statewide average based on the most recent census data available for cities or Census Designated Places. (If no city or Census Designated Place level data is available, or if the Applicant chooses to identify a project benefit area that is smaller than a city or Census Designated Place, such as census tract or tracts, smaller areas will be used.)
3. A community with a poverty rate equal to or greater than 110% of the statewide average based on the most recent census data available for cities or Census Designated Places. (If no city or Census Designated Place level data is available, or if the Applicant chooses to identify a project benefit area that is smaller than a city or Census Designated Place such as a census tract or tracts, smaller geographic areas will be used.)
4. A state designated Enterprise Zone (including a Manufacturing Enhancement Area or Targeted Tax Area).
5. A federally designated Empowerment Zone, Enterprise Community or Renewal Community.
6. A redevelopment project area adopted pursuant to California Health and Safety Code Sections 33000 et seq., where the Committee determines that the project area meets the definition of blighted area contained in California Health and Safety Code Section 33030. The relevant Health and Safety Code sections can be accessed on the Committee's website:
<http://www.treasurer.ca.gov/cdlac>.

"Eligible Administrator" means any person who holds one of the following credentials issued by the California Commission on Teacher Credentialing:

Administrative Services Credential	Administrative Services Credential (Examination)
Standard Supervision Credential	Standard Administration Credential
General Elementary School Administration Credential	General Elementary School Supervision Credential
General Secondary School Administration Credential	General Secondary School Supervision Credential
General Administration Credential	General Supervision Credential
The Supervision Credential	General School Principal or Supervisor Credential

"Eligible Classified Employee" means an employee of a school district employed in a position not requiring certification qualifications and who provides administration or service at a high priority school.

"Eligible Staff Member" means any person who holds one of the following credentials issued by the California Commission on Teaching Credentialing:

School Nurse Credential
 Clinical or Rehabilitation Service Credential
 Pupil Personnel Services Credential (e.g. School Counseling, School Social Work, School Psychology and Child Welfare and Attendance)
 Library Media Teacher Service Credential
 Designated Subjects Vocational Education Teaching Credential

"Eligible Teacher" means any person who holds one of the following credentials issued by the California Commission on Teacher Credentialing:

Single Subject Teaching Credential	Multiple Subject Teaching Credential
Specialist Instruction Credential in Special Education	Education Specialist Instruction Credential
Standard Elementary Teaching Credential	Standard Secondary Teaching Credential
Standard Early Childhood Education Teaching Credential	Standard Restricted Special Education Teaching Credential
General Kindergarten-Primary Teaching Credential	General Elementary Teaching Credential
General Junior High Teaching Credential	General Secondary Teaching Credential

Special Secondary Teaching Credential in Art
Special Secondary Teaching Credential in Business Ed
Special Secondary Teaching Credential in Homemaking

Special Secondary Credential for Teaching Lip Reading
Special Secondary Limited Teaching Credential in Music

Special Secondary Credential for Teaching the
Partially Sighted Child

Special Secondary Teaching Credential in Correction
of Speech Defects

Special Credential for Teaching Exceptional Children
Special Secondary Credential for Teaching the Blind
Special Secondary Teaching Credential in Industrial
Arts

Special Secondary Teaching Credential in Music
Special Secondary Teaching Credential Limited in
Agric.

Special Secondary Teaching Credential in Physical
Ed.

Special Secondary Teaching Credential in Speech
Arts

Special Secondary Credential for Teaching the
Mentally Retarded

“Empowerment Zone” means any area that meets the standards for designation as an empowerment zone under 26 U.S.C. Section 1392.

“Energy Financing Program” means a program that meets the requirements for eligibility for a qualified small-issue industrial development bond as described under 26 U.S.C. Section 144 and the requirements of the energy financing program established and administered by the Power Authority or by such other entity approved by the Committee in its sole discretion to administer an energy financing program.

“Energy Financing Program Pool” means the portion of the Small-Issue Industrial Development Bond Project Pool, established by the Committee pursuant to Section 4 of these Procedures, that may be set aside for the Energy Financing Program in accordance with Section 4 of these Procedures.

“Enterprise Community” means any area that meets the standards for designation as an enterprise community under 26 U.S.C. Section 1392.

“Enterprise Zone” means any area within a city, county, or a city and county that is designated as an enterprise zone by the Trade and Commerce Agency in accordance with the provisions of Section 7073 of the California Government Code.

“Enterprise Zone Facility Bond Project” means a project defined by 26 U.S.C. Section 1394.

“Equipment Only Purchase Program” means a program that meets the requirements for eligibility for a qualified small-issue bond as described under 26 U.S.C. Section 144 and the requirements of the tax exempt equipment only purchase program established and administered by the California Statewide Communities Development Authority.

“Equipment Only Purchase Program Pool” means the portion of the Small-Issue Industrial Development Bond Project Pool, established by the Committee pursuant to Section 4 of these Procedures, that may be set aside for the Equipment Only Purchase Program in accordance with Section 4 of these Procedures.

“Executive Director” means the Executive Director of the Committee.

“Exempt Facility” means a facility satisfying the requirements of 26 U.S.C. Section 142, except that airports, docks and wharves, governmentally owned solid waste disposal facilities, and Qualified Residential Rental Projects shall not be considered exempt facilities for purposes of these Procedures.

“Exempt Facility Project Pool” means the reserve of the State Ceiling established by the Committee in accordance with Section 4 of these Procedures.

“Extra Credit Teacher Home Purchase Program Eligibility Certificate” means a certificate, in a form to be provided by the Committee, to be completed and submitted by the employing school district, County Office of Education or local Board of Education that certifies to all of the following:

1. The Program Participant is an Eligible Teacher, Eligible Administrator, Eligible Classified Employee, or Eligible Staff Member;

2. The Program Participant is not currently under suspension, and there is not currently pending any disciplinary inquiry, investigation, action or proceeding that could result in the suspension or dismissal of the Program Participant;
3. The entity completing the certificate has verified with the California Commission on Teacher Credentialing that the credential of the Program Participant is not currently under suspension, and there is not currently pending any disciplinary inquiry, investigation, action or proceeding that could result in the suspension or revocation of the credential of the Program Participant;
4. The personnel file of the Program Participant reflects that he or she has not been dismissed from employment with any school or school district for any reason, and that he or she has not been the subject of a disciplinary suspension that has been upheld.

“Extra Credit Teacher Home Purchase Program Pool” means the reserve of the State Ceiling that may be established by the Committee in accordance with Section 4 of these Procedures.

“Extra Credit Teacher Home Purchase Program” means a program offering Mortgage Credit Certificates or loans funded by Mortgage Revenue Bonds to Eligible Teachers, Eligible Administrators, Eligible Classified Employees, and Eligible Staff Members for the purpose of assisting them in becoming homeowners.

“Family Medical Leave Act” means a sanctioned leave of absence in accordance with the provisions of 29 U.S.C. 2601, et seq.

“Federally Assisted At Risk Project” means a property that is at risk of conversion as defined by California Revenue and Taxation Code Section 17058 (c)(4) and by CTCAC Regulation, Section 10325 (g)(5)(B)(i)-(v); or a property that otherwise meets all requirements of Revenue and Taxation Code Section 17058(c)(4) and CTCAC regulations Section 10325(g)(5)(B)(i), except that the federal assistance due to expire within two (2) calendar years of application to the Committee may include a tax-exempt private activity bond regulatory agreement.

“First Tier Business” means (1) a business that (a) is primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste, (b) is a privately-held or employee-owned entity whose ownership interests are not available to members of the public, and (c) has fewer than 3,000 employees (together with affiliates), based on the average employees per pay period during the most recent twelve (12) months before submittal of an Application; or (2) a business which is not primarily engaged in the collection, recycling, transportation, and/or disposal of solid waste that is classified as a small business under regulations of the California Pollution Control Financing Authority (Title 4, California Code of Regulations, Sections 8001-8083).

“Gross Rent” means gross rent as defined by Section 42(g)(2)(B) of the Internal Revenue Code. Utility allowances, as provided by Section 42(g)(2)(B)(ii) of the Internal Revenue Code, will be included for purposes of this calculation. Projects that are Federally Assisted At Risk Projects or projects that request low income housing tax credits are required to use Gross Rents for the calculation of restricted rents.

“High Priority School” means a California K-12 public school 1) ranked in the bottom 50% of all schools based on the most recent Academic Performance Index, i.e. schools receiving an API Statewide Ranking of 1, 2, 3, 4 or 5; or 2) that does not have an API ranking but 70% or more of the school’s pupil enrollment is eligible for free or reduced price meals.

“Homeownership Assistance” means financial assistance, including down-payment assistance, closing cost assistance, soft-second financing for the purchase of a home, or such alternative homeownership assistance as proposed by the Applicant in the Application and approved by the Committee. The Homeownership Assistance must:

1. Be in a minimum amount of \$7,500 or 3% of the purchase price of the home, whichever is greater;

2. Be structured in the form of either a grant or a deferred payment loan where the payment of principal and interest is deferred until such time as the home is sold or re-financed; and
3. Include an incentive, to be proposed by the Applicant, for Program Participants to fully perform the three (3) year service commitment.

Applicants will not be required to establish a distinct and separate homeownership program; existing programs may be used. The Committee may delegate to the Chair or to the Executive Director of the Committee the authority to accept and consider homeownership assistance of different types or characteristics than those specifically enumerated or required by this definition. The Committee may establish, or concur with the establishment of, higher assistance limits to ensure program participation in high cost areas.

“HOPE VI Project” means a project funded by a grant from the Urban Revitalization Program created by Public Law 102-389 and administered by the Department of Housing and Urban Development under Section 24 of the United States Housing Act of 1937 (42 U.S.C. Section 1437(v)).

“Job Creation” means new full time jobs created by a company that is the subject of an Application. The number of jobs created shall be calculated after deducting any jobs that are lost by the company. The Job Creation requirement will begin upon completion of the project and will end two years after the completion of the project. The Job Creation requirement may be monitored by CIDFAC and CIEDB.

“Job Retention” means full time jobs that are retained in California by a company that is the subject of an Application. The company must be actively seeking to relocate jobs out of the state; forced to eliminate jobs in order to remain in operation; at risk of closing their local operations; or acquired prior to closing or relocating under new ownership that commits to maintain company operations and retain existing jobs. The number of jobs retained shall be calculated on the number of full time jobs that are on the company payroll at the time of application. The Job Retention requirement will begin upon issuance of the bonds and will end two years after the issuance of bonds. The Job Retention requirement may be monitored by CIDFAC and CIEDB utilizing Employment Development Department job retention statistics.

“Local Issuer” means a local government entity that issues Mortgage Revenue Bonds or Mortgage Credit Certificates for Single-Family Housing Programs. For purposes of Section 20 of these Procedures, specifically subsection IV and the Equipment Only Purchase Program, subsection V and the Small Business Program, and subsection VI and the Energy Financing Program, “Local Issuer” means a local government entity that issues small-issue industrial development bonds or a joint powers authority that issues small-issue industrial development bonds on behalf of a local government entity.

“Manufacturing Enhancement Area” means an area designated as a manufacturing enhancement area by the Trade and Commerce Agency in accordance with the provisions of California Government Code Section 7073.8.

“Mixed Income Pool” means the reserve of the Qualified Residential Rental Project Pool that may be established by the Committee in accordance with Section 4 of these Procedures.

“Mixed Income Project” means a Qualified Residential Rental Project having 50% or fewer of its total units designated as Restricted Rental Units.

“Mortgage Credit Certificate” means a mortgage credit certificate as defined by 26 U.S.C. Section 25(c)(1).

“Mortgage Credit Certificate Program” means a program defined by 26 U.S.C. Section 25(c)(2).

“Mortgage Revenue Bond” means a mortgage revenue bond as defined by 26 U.S.C. Section 143(A).

“New Construction Projects” means a Qualified Residential Rental Project with 100% of its units constituting new units to the market, and expressly excluding any project that involves rehabilitation or any construction affecting existing residential rental units.

"Power Authority" means the California Consumer Power and Conservation Financing Authority or such other entity receiving an Allocation from the Committee under Section 20.VI. of these Procedures.

"Program Participant" means an Eligible Teacher, Eligible Administrator, Eligible Classified Employee, or Eligible Staff Member who receives a Mortgage Credit Certificate or a loan funded by Mortgage Revenue Bonds from an issuer receiving an Allocation from the Extra Credit Teacher Home Purchase Program Pool.

"Project Sponsor" means the entity, or an affiliate thereof, using the proceeds of a bond issue to complete the project described in the Application.

"Public Transit Corridor" means that area within one-quarter mile of a route on which there is regular service provided by a transit system or within one-quarter mile of an existing or planned public mass transit guideway or busway station, or within one-quarter mile of a multimodal transportation terminal serving public mass transit operations.

"Qualified Census Tract" means any census tract that is designated by the Secretary of Housing and Urban Development and in which, for the most recent year for which census data is available on household income in such tract, 50% or more of the households have an income which is less than 60% of the Area Median Income for such year.

"Qualified Private Activity Bond" means a bond that satisfies the requirements of 26 U.S.C. Sections 141, et seq.

"Qualified Residential Rental Project" means a qualified residential rental project as defined by 26 U.S.C. Section 142(d)(1).

"Qualified Residential Rental Project Pool" means the reserve of the State Ceiling established by the Committee in accordance with Section 4 of these Procedures.

"Redevelopment Agency Housing Set Aside Program" means a program to assist redevelopment agencies to maximize the impact of housing set aside programs established and funded pursuant to Health and Safety Code section 33334.2 through the use of housing set aside as security for the repayment of tax-exempt private activity bonds.

"Redevelopment Project Area" means an urbanized area of a community which is a blighted area as defined in Sections 33030-33039 of the California Health and Safety Code, the redevelopment of which is necessary to effectuate the public purposes declared in Sections 33000, et seq. of the California Health and Safety Code.

"Regulatory Mandate" means a local, state or federal government mandate such as California Public Resources Code, Section 40000 et seq. ("AB 939"), a local public health department notice and order, a Regional Water Quality Control Board issued cease and desist order, or similar directive.

"Related Party" means a related party as defined by CTCAC Regulations, Section 10302(x).

"Renewal Community" means an area designated as a renewal community by the Secretary of Housing and Urban Development in accordance with the provisions of Section 1400E of the Community Renewal Tax Relief Act of 2000 (26 U.S.C. Section 1400E).

"Restricted Rental Units" mean those units within a Qualified Residential Rental Project that are restricted to households earning 60% or less of the Applicable Median Family Income pursuant to a Bond Regulatory Agreement or a CTCAC Extended Low-Income Housing Commitment Agreement for a minimum of thirty (30) years.

"Rural Project" means a Qualified Residential Rental Project located in a rural area as defined by California Health and Safety Code Section 50199.21 but shall not include a Mixed Income Project.

“Rural Project Pool” means the reserve of the Qualified Residential Rental Project Pool that may be established by the Committee in accordance with Section 4 of these Procedures.

“Service Commitment” means the written agreement of a Program Participant executed and delivered by the Program Participant pursuant to Section 19.II.B.2. or Section 19.III.B.

“Single-Family Housing Program” means a program satisfying the requirements of 26 U.S.C. Section 25 and 26 U.S.C. Section 143.

“Single-Family Housing Program Pool” means the reserve of the State Ceiling established by the Committee in accordance with Section 4 of these Procedures.

“Single-Family Housing Program Bonus Pool” means the reserve of the Single-Family Housing Program Pool that may be established by the Committee in accordance with Section 4 of these Procedures.

“Small Business Program” means a program that meets the requirements for eligibility established and administered by CIDFAC.

“Small Business Program Pool” means the portion of the Small-Issue Industrial Development Bond Project Pool, established by the Committee pursuant to Section 4 of these Procedures, that may be set aside for the Small Business Program in accordance with Section 4 of these Procedures.

“Small-Issue Industrial Development Bond Project” means a project that meets the requirements for a qualified small-issue bond as described under 26 U.S.C. Section 144.

“Small-Issue Industrial Development Bond Project Pool” means the reserve of the State Ceiling established by the Committee in accordance with Section 4 of these Procedures.

“Special Designation Area” means a community that the Applicant demonstrates to the satisfaction of the Executive Director is any one or more of the following:

1. A state designated Enterprise Zone (including a Manufacturing Enhancement Area or Targeted Tax Area).
2. A federally designated Empowerment Zone, Enterprise Community or Renewal Community.
3. A redevelopment project area adopted pursuant to California Health and Safety Code Sections 33000 et seq., where the Committee determines that the project area meets the definition of blighted area contained in California Health and Safety Code Section 33030.

“State Ceiling” means the aggregate amount of Qualified Private Activity Bonds that can be issued in California each calendar year as established by 26 U.S.C. Section 146 and as determined and announced by the Committee in accordance with Section 3 of these Procedures.

“State Ceiling Pools” means the state ceiling pools created by the Committee pursuant to Section 4 of these Procedures, including (1) the Qualified Residential Rental Project Pool, and the Mixed Income Pool, if any, and the Rural Project Pool, if any, within the Qualified Residential Rental Project Pool; (2) the Single-Family Housing Program Pool, and the Single-Family Housing Program Bonus Pool, if any, within the Single-Family Housing Program Pool; (3) the Extra Credit Teacher Home Purchase Program Pool, if any; (4) the Small-Issue Industrial Development Bond Project Pool, and the Equipment Only Purchase Program Pool, if any, within the Small-Issue Industrial Development Bond Project Pool; (5) the Exempt Facility Project Pool; and (6) the Student Loan Program Pool.

“Student Loan Program” means a program that meets the requirements for a qualified student loan bond under 26 U.S.C. Section 144(b).

“Student Loan Program Pool” means the reserve of the State Ceiling established by the Committee in accordance with Section 4 of these Procedures.

“Sustainable Building Methods” means any materials utilized in the development or rehabilitation of a qualified residential rental project that will increase energy efficiency by at least 15% above the energy standards set forth by the California Energy Commission Title 24, Part 6 of the California Code of Regulations as amended from time to time.

“Targeted Tax Area” means an area designated as a targeted tax area by the Trade and Commerce Agency in accordance with the provisions of California Government Code Section 7097.

“Taxable Debt” means taxable bonds or conventional financing from a major financial institution.

“Veteran’s Home Loan Program” means a program administered by the California Department of Veteran’s Affairs, satisfying the requirements of 26 U.S.C. Section 143, and that is restricted to California veterans of military service.

“Welfare To Work Plan” means a plan as described by Sections 10531, et seq. of the California Welfare and Institutions Code.

Section 3. Determination of the State Ceiling

The Committee shall, as soon as is practicable after the start of each calendar year, determine and announce the State Ceiling for the calendar year in accordance with 26 U.S.C. Sections 141, et seq. and Section 8869.84(a) of the California Government Code.

Section 4. Allocation of the State Ceiling

I. Allocation Process

As soon as practicable after the beginning of each calendar year, and before any Applications are considered, the Committee will determine and announce the establishment of either an open application process or an allocation round process, or both. The Committee will determine which process is best for each program pool based on the estimated competition and characteristics of each pool.

If the Committee estimates that a program pool will be non-competitive or evenly subscribed, then the Committee shall establish an open application process. If the Committee estimates that a program pool will be competitive, then the Committee shall establish an allocation round process.

The Committee may provide for a combination of the open application process and the allocation round process for a pool as necessary to best meet the needs of a specific program or pool. For example, the Committee may establish an open application process from January through August and an allocation round process from September through December.

A. Open Application Process

1. Establish the dates for the open application process to be held during the year for the purpose of the Committee’s allocation of the State Ceiling Pools created pursuant to these Procedures.
2. Determine and announce the portion of the State Ceiling that will be available for the open application process for each of the State Ceiling Pools that are created pursuant to these Procedures.
3. Applications may be submitted for consideration by the Committee at any time within the dates of the open application process established in subsection I.A.1 above. The Committee may require up to 45 days to review a complete application and an

additional 15 days to consider the application for a reservation of Allocation. The Committee may require additional time to review an Application that is not complete.

4. The Committee may establish a minimum point threshold, wait list, or other minimum requirements for a program pool to provide incentive for Applicants to meet the Committee's public policy goals.

B. Allocation Round Process

1. Establish the number and the tentative respective dates of the Allocation Rounds to be held during the year for the purpose of the Committee's allocation of the State Ceiling Pools created pursuant to these Procedures.
2. Determine and announce the portion of the State Ceiling that will be available in each of the Allocation Rounds for each of the State Ceiling Pools that is created by the Committee pursuant to subsection II of this Section 4.
3. Determine and announce the deadlines for Applicants to submit Applications for consideration during each of the Allocation Rounds established in subsection I.B.1, above.

The Committee reserves the right during any calendar year to alter the type of Allocation Process as described in subsections I.A and I.B above, or the number of Allocation Rounds, the portion of the State Ceiling that will be available to each type of State Ceiling Pool in each of the Allocation Rounds, the schedule of the Allocation Rounds and the deadlines for Applicants to submit Applications for consideration based on its finding that it is appropriate to do so.

II. Creation of State Ceiling Pools

As soon as practicable after the beginning of each calendar year, and before any Applications are considered, the Committee will:

- A. The Qualified Residential Rental Project Pool. Determine and announce what amount, expressed both as a percentage and as a dollar amount, of the State Ceiling shall be available for allocation during the year and in each Allocation Round to Qualified Residential Rental Projects in accordance with Section 17 of these Procedures, and create a Qualified Residential Rental Project Pool for these purposes.
- B. The Mixed Income Pool. Determine and announce whether, in the Committee's sole discretion, a portion of the Qualified Residential Rental Project Pool shall be reserved in a Mixed Income Pool to be established within the Qualified Residential Rental Project Pool and to be available for allocation to Mixed Income Projects in accordance with Section 17 of these Procedures, and determine and announce what amount, if any, (expressed both as a percentage and as a dollar amount) not to exceed twenty-five percent (25%) of the Qualified Residential Rental Project Pool shall be so reserved during the year and available in each Allocation Round.
- C. The Rural Project Pool. Determine and announce whether, in the Committee's sole discretion, a portion of the Qualified Residential Rental Project Pool shall be reserved in a Rural Project Pool to be established within the Qualified Residential Rental Project Pool and to be available for allocation to Rural Projects in accordance with Section 17 of these Procedures, and determine and announce what amount, if any, (expressed both as a percentage and as a dollar amount) not to exceed ten percent (10%) of the Qualified Residential Rental Project Pool shall be so reserved during the year and available in each Allocation Round for Rural Projects.
- D. The Single-Family Housing Program Pool. Determine and announce what amount, expressed both as a percentage and as a dollar amount, of the State Ceiling shall be available for allocation during the year and in each Allocation Round to Single-Family Housing Programs in accordance with Section 18 of these Procedures, and create a Single-Family Housing Program

Pool for these purposes. The Committee will determine what portion of the Single-Family Housing Program Pool will be reserved and allocated to the California Housing Finance Agency. The balance of the Single-Family Housing Program Pool will be made available to Local Issuers in accordance with Section 18.

- E. The Single-Family Housing Program Bonus Pool. Determine and announce whether, in the Committee's sole discretion, a portion of the Single-Family Housing Program Pool shall be reserved in a separate Single-Family Housing Program Bonus Pool to be established and made available for allocation by the Committee during the year and in each Allocation Round in accordance with subsection II.B. of Section 18 of these Procedures, and determine and announce what amount, if any, expressed both as a percentage and as a dollar amount, of the Single-Family Housing Program Pool shall be so reserved. The portion reserved for the Single-Family Housing Program Bonus Pool shall not exceed twenty percent (20%) of the amount reserved for the Single-Family Housing Program Pool. The Single-Family Housing Program Bonus Pool may be made available for allocation at any Allocation Round subsequent to the first Allocation Round in a given calendar year.
- F. The Extra Credit Teacher Home Purchase Program Pool. Determine and announce whether, in the Committee's sole discretion, a portion of the State Ceiling shall be available for allocation during the year to Extra Credit Teacher Home Purchase Programs in accordance with Section 19 of these Procedures, and determine and announce what amount, if any, (expressed as a percentage and as a dollar amount) of the State Ceiling, shall be available during the year and in each Allocation Round, and create a Extra Credit Teacher Home Purchase Program Pool for these purposes.
- G. The Small-Issue Industrial Development Bond Project Pool. Determine and announce what amount, expressed both as a percentage and as a dollar amount, of the State Ceiling shall be available for allocation during the year and in each Allocation Round to Small-Issue Industrial Development Projects in accordance with Section 20 of these Procedures, and create a Small-Issue Industrial Development Bond Project Pool for these purposes.
 - 1. A portion of the Small-Issue Industrial Development Bond Project Pool may, in the Committee's sole discretion, be set aside by the Committee for the Equipment Only Purchase Program.
 - 2. A portion of the Small-Issue Industrial Development Bond Project Pool may, in the Committee's sole discretion, be set aside by the Committee for the Small Business program.
 - 3. A portion of the Small-Issue Industrial Development Bond Project Pool may, in the Committee's sole discretion, be set aside by the Committee for the Energy Financing Program.
- H. The Exempt Facility Project Pool. Determine and announce what amount, expressed both as a percentage and as a dollar amount, of the State Ceiling shall be available for allocation during the year and in each Allocation Round to Exempt Facility Projects in accordance with Section 21 of these Procedures and create an Exempt Facility Project Pool for these purposes.
- I. The Student Loan Program Pool. Determine and announce what amount, expressed both as a percentage and as a dollar amount, of the State Ceiling shall be available for allocation during the year and in each Allocation Round to Student Loan Programs in accordance with Section 22 of these Procedures and create a Student Loan Program Pool for these purposes.

- III. Denied Applications. An Applicant whose Application is denied or that is otherwise unable to obtain an Allocation in one Allocation Round may request in writing that its Application be considered in a future Allocation Round. The Applicant will not receive any priority or preference as a result of having been previously denied an Allocation. An Applicant whose Application is denied may carryover its deposit and filing fees to the next Allocation Round.
- IV. Redistribution of State Ceiling. At any time after the Committee establishes the State Ceiling Pools under subsection II of this Section 4, the Committee shall have sole discretion to redistribute the State Ceiling among the State Ceiling Pools as warranted. This redistribution may result in certain types of the State Ceiling Pools obtaining a greater or smaller portion of the State Ceiling than originally reserved or set aside for the particular State Ceiling Pools when the State Ceiling Pools were originally established by the Committee under subsection II of this Section 4.

Section 5. Meetings of the California Debt Limit Allocation Committee

- I. Legislative Mandate. The Committee shall hold public meetings throughout the year to carry out the duties contained in California Government Code Sections 8869.80, et seq. The Committee shall meet as necessary to approve Allocations of the annual State Ceiling.
- II. Agenda. The Executive Director shall publish an agenda giving at least 10 days' notice of all meetings of the Committee. The agenda shall be e-mailed or otherwise sent to all persons and organizations on the Committee's mailing list and posted on the Committee's web site.
- III. Attendance of Applicants. While attendance at the Committee's public meetings is not mandatory, the Committee recommends that Applicants be present when their Applications are considered. On occasion, the Committee members may ask unforeseen questions which can only be satisfactorily answered by the Applicant or other members of the financing team.

Section 6. Process for Filing Applications

- I. Who May File an Application
 - A. Any state or local governmental agency, joint powers authority (JPA), special district, non-profit public benefit corporation that issues only student loan bonds or any other public agency that is empowered to issue debt may file an Application. The issuer of the Qualified Private Activity Bonds or Mortgage Credit Certificates must be the Applicant.
 - B. Where the Applicant is administering a Single-Family Housing Program on behalf of one or more jurisdictions, the Applicant must submit the Application to the Committee. The Applicant must also obtain publicly adopted documents from each jurisdiction participating in the Applicant's program that explicitly grant authority to the Applicant to conduct the program in the participant's jurisdiction. Documentation must consist of a resolution or a cooperative agreement.
- II. Where to File an Application. Applications for an Allocation of the State Ceiling shall be submitted to the Committee at its offices located in Sacramento, California.
- III. What to File
 - A. Application forms for each of the various categories of Qualified Private Activity Bonds are available from the Committee. An Applicant must use the appropriate Application form depending upon the type of Qualified Private Activity Bond for which the Applicant requests an Allocation. The Applicant shall submit a completed Application form and supplemental material in a manner prescribed by the Committee for each project or program for which the Applicant is requesting an Allocation. All questions set forth in the applicable Application must be answered completely and accurately. Each Application must be accompanied by the required documentation outlined in the Application and these Procedures. Only complete Applications

bearing the original signatures of an officer of the Applicant and the Project Sponsor, if applicable, will be accepted.

B. The following items must accompany the Application:

1. The Deposit Certification Form required by Section 7 of these Procedures.
2. The non-refundable first installment of the filing fee described in Section 8 of these Procedures.
3. The proof of Credit Enhancement required by Section 9 of these Procedures, if applicable, (for all Applications other than Applications relating to a Mortgage Credit Certificate Program).
4. A resolution adopted by the governing body of the Applicant approving a project or a program to be bond financed.
5. A resolution adopted by the governing body of the Applicant authorizing a senior officer of a state or local agency or, in the case of a Student Loan Program, an officer of the sponsor of the Student Loan Program, to file the Application with the Committee, pay any fees required by the Committee, and certifying the posting of the required performance deposit. The resolution may be combined with the resolution required by subsection 4, above.
6. For all Applications other than Applications relating to a Mortgage Credit Certificate Program, a resolution adopted by the governing body of the jurisdiction in which the proposed project or proposed program will be located, or in the case of a Student Loan Program, a resolution adopted by the sponsor of the Student Loan Program, memorializing the public approval process as required by 26 U.S.C. Section 147(f). The resolution shall clearly indicate that a public hearing was properly noticed and held with respect to the proposed issuance of bonds; such resolution shall be accompanied by the approval of the bonds for the specific project or program by the applicable elected representative as such term is defined in 26 U.S.C. Section 147(f)(2)(E). **A copy of the adopted resolution with the approval of the bond issue must be provided to the Committee no later than 30 calendar days following the application deadline.**

In the event that a copy of an adopted resolution cannot be provided within this timeframe, the Applicant shall certify as to the date, time, location, and outcome of the public hearing, the approval of the issuance of bonds by the applicable elected representative, and that such actions comply with the provisions of 26 U.S.C. Section 147(f); such certification shall be accompanied by a copy of the notice announcing the public hearing. **If this required documentation is not received within the timeframe specified herein, the Application will not be considered for an Allocation.**

In the event that a TEFRA resolution for a proposed project or program is to be signed by a member of the Committee, the Applicant shall submit the minutes of the required TEFRA public hearing and proof of publication of the notice announcing the public hearing no later than 30 calendar days following the application deadline. **Applicants of such projects or programs shall submit signed TEFRA resolutions no later than the date on which they submit their Report of Action Taken, as required by Section 14 of these Procedures.**

7. The publicly-adopted documents required by subsection I.B., above. An Applicant requesting Allocation to implement a new Mortgage Credit Certificate Program must include copies of these documents with its Application. Applicants of existing Mortgage Credit Certificate Programs must either certify on the Application form that the previously publicly-adopted documents are valid and remain in force or provide copies of newly publicly-adopted documents.

8. For all Applications relating to a new Mortgage Credit Certificate Program, a program or operational manual. Applicants of existing programs do not need to include a program or operational manual unless substantive changes have been made.

Section 7. Performance Deposit

- I. Applicants must post a performance deposit equal to one-half of one percent (.5%) of the Allocation requested, not to exceed \$100,000. Each Applicant shall certify to the Committee, using the Committee's Performance Deposit Certification form, that the required deposit has been made.
- II. An Applicant must maintain the performance deposit until a written release is received from the Committee. In the case of Qualified Private Activity Bonds, the full release of a deposit will not be authorized unless 80% of the Allocation is used to issue Qualified Private Activity Bonds for the purposes approved by the Committee.

If less than 80% of the Allocation is used to issue Qualified Private Activity Bonds, a pro-rata portion of the deposit will be forfeited equal to the same percentage ratio as the amount of unused Allocation bears to the amount of awarded Allocation. For example, a project received a \$10,000,000 Allocation award. The Applicant uses \$7,900,000 of the Allocation to issue bonds. The unused portion of Allocation is \$2,100,000, or 21% of the \$10,000,000 awarded. Therefore, 21% of the performance deposit will be forfeited to the Committee.

In the case of a Qualified Residential Rental Project, that also requests an allocation of state credit that is reserved for tax-exempt projects from CTCAC, the full release of a performance deposit will be authorized if the Project Sponsor is able to demonstrate that the failure to use Allocation is solely due to the failure to receive an allocation of state tax credit.

In the case of Mortgage Credit Certificates, the full release of a deposit will not be authorized unless the Allocation has been converted to Mortgage Credit Certificate authority and at least one certificate issued by the date specified in the Committee Resolution. If the Allocation is converted by the specified date but at least one certificate is not issued by the specified date, 20% of the performance deposit will be forfeited by the Applicant. For example, if an Applicant receives a \$3,000,000 Allocation, timely converts the Allocation to Mortgage Credit Certificates, but fails to issue at least one certificate by the specified date, 20% of the performance deposit would be forfeited to the Committee.

- III. The written authorization releasing a performance deposit will occur upon the Committee's receipt of a properly completed Report of Action Taken form as required by Section 14 reporting the use of Allocation to issue bonds or Mortgage Credit Certificates. The Committee Resolution shall provide the timeframe for using the Allocation and filing the required Report of Action Taken form.
- IV. If either the Applicant or the Project Sponsor withdraws an Application prior to the Application being considered by the Committee or if a project fails to receive an allocation, the performance deposit shall be automatically released and no written authorization from the Committee shall be necessary.
- V. Project Sponsors bear the risk of forfeiting all or part of their performance deposit if the Allocation is not used in accordance with the conditions and timeframes set forth in the Committee Resolution.

Section 8. Filing Fee

Each Applicant shall submit a filing fee in an amount equal to the product of the amount of Allocation actually used to issue Qualified Private Activity Bonds or Mortgage Credit Certificates multiplied by .00035. The payment of the fee will be in two installments as follows:

- I. Initial Filing Fee. A check in the amount of \$600 payable to the California Debt Limit Allocation Committee shall accompany the filing of an Application to cover the Committee's costs associated

with reviewing applications. This portion of the filing fee is not refundable under any circumstances but shall be credited against the total filing fee.

- II. Second Installment of Filing Fee. The second installment of the filing fee will be due upon the use of the Allocation to issue Qualified Private Activity Bonds or the first Mortgage Credit Certificate. The Committee will issue an invoice for the remaining fee upon receipt of the Report of Action Taken form required by Section 14. The amount of the second installment of the filing fee is the product of the amount of Allocation used to issue Qualified Private Activity Bonds or Mortgage Credit Certificates multiplied by .00035, less the fee paid pursuant to subsection I, above.

Section 9. Credit Enhancement

I. General Policy

Applicants other than Applicants for a Mortgage Credit Certificate Program, shall provide evidence of Credit Enhancement or a commitment to purchase the Qualified Private Activity Bonds. Additional information regarding Credit Enhancement and private placement requirements for Qualified Residential Rental Projects can be found on the Committee's website. Additional information regarding Credit Enhancement and private placement requirements for pollution control projects and industrial development bond projects can be found at the CPCFA and CIDFAC websites respectively.

A.

II. Acceptable Proof and Rating of Credit Enhancement

- A. Acceptable proof of Credit Enhancement shall consist of signed documentation from the Credit Enhancer to the Project Sponsor, the Applicant, or to the Committee stating that the Credit Enhancer has approved the Credit Enhancement. The documentation must, at a minimum, include all of the following:
 1. Clear identification of the Project Sponsor, the project or program, the amount of the Credit Enhancement, the instrument conveying the Credit Enhancement and the salient terms and conditions specific to the bond transaction, including at a minimum, the amount and the term of the Credit Enhancement, the fees to be charged, the proposed financial underwriting of the project and the requirements for the issuance of the Credit Enhancement;
 2. Acceptance of the terms and conditions of the Credit Enhancement by the Project Sponsor;
 3. Terms and conditions that are established by the Credit Enhancer and are achievable by the Project Sponsor within the allotted time frame for closing the bonds;
 4. Confirmation that the proposed project has received approval from the individuals within the organization providing the Credit Enhancement who have the authority to approve the Credit Enhancement;
 5. A binding commitment to close the transaction and to provide the Credit Enhancement;
 6. If the bonds are to be variable rate bonds, the short term rating must be no less than "A1" by Standard & Poor's, "VMIG1" by Moody's, or "F-1" by Fitch IBCA, Inc. or the equivalent, as determined by the Executive Director. If the bonds are to be fixed rate bonds, the recommended rating shall be within the "A" category. If the rating on the fixed rate bonds is below an "A" category rating, the Application will be evaluated per subsection III. below. At the beginning of each calendar year, the Committee may adjust these ratings as economic conditions dictate.

7. A minimum Debt Service Coverage Ratio of 1.1 to 1 in the case of Qualified Residential Rental Projects. Applications submitted by CalHFA are exempt from this requirement.
 - B. If Fannie Mae is providing the Credit Enhancement, the commitment issued by a qualified lender under the Delegated Underwriting and Servicing (DUS) program of Fannie Mae will constitute acceptable proof of Credit Enhancement.
 - C. If CalHFA is providing the Credit Enhancement, evidence of its investment grade rating shall be provided with the Application.
- III. Rated or Non-Rated Bonds Without Credit Enhancement
- A. If an Application does not include Credit Enhancement, the following factors will be considered in evaluating the feasibility of the sale of the bonds:
 1. Rating;
 2. Marketability of the bonds;
 3. Experience level and the track record of the entity selling or privately placing the bonds on behalf of the Applicant;
 4. Financial strength of the project and the Project Sponsor;
 5. Additional sources of repayment other than the project;
 6. The rights, capability and resources of parties to the transaction other than the Project Sponsor to complete and operate the project in the event of default;
 7. The level of commitment of any proposed bond purchaser to privately place or purchase the bonds.
 - B. In addition, if the bonds are not rated, the Committee may require that the bonds either be sold to institutional investors or be privately placed and that the Applicant provide convincing proof that there is a purchaser or purchasers for the bonds.
 - C. The commitment to purchase the bonds must, at a minimum, clearly identify the Project Sponsor, the project or program, the amount of bonds to be sold, the salient terms and conditions of the bond sale including the financial underwriting of the proposed project required to complete the purchase. The terms and conditions that are established by the bond purchaser must be achievable by the Project Sponsor within the allotted timeframe for closing the bonds.

Section 10. Committee Resolution; Use of the State Ceiling Allocations

- I. The granting of an Allocation by the Committee shall be memorialized in a written resolution adopted by the Committee, as authorized by California Government Code Sections 8869.85 and 8869.86. The Committee Resolution shall specify among other things, the Applicant, the amount of the Allocation, the project or program name for which the Allocation has been provided, the Project Sponsor using the bond proceeds where applicable, the location of the project or program and any conditions or restrictions imposed on the Allocation by the Committee.
- II. Use of an Allocation shall be limited by the provisions of the Committee Resolution. Any changes to the specifications contained in the Committee Resolution prior to the issuance of Qualified Private Activity Bonds, including, but not limited to, changes to the structure of any Credit Enhancement, the provider of any Credit Enhancement, the direct purchaser of the bonds if a private placement of bonds is indicated, or the identity of the Applicant, must be approved by the Committee prior to the bond issuance. The Committee may delegate the authority to approve these changes to the Committee Chair or to the Executive Director.

- III. Where the Allocation is for Mortgage Revenue Bonds or Mortgage Credit Certificates, the Executive Director may administratively approve routine and nonsubstantive changes that do not require additional Allocation.

Section 11. Expiration of Allocations and Extensions

The expiration date of the Allocation will be specified in the Committee Resolution. The expiration date shall be no more than 110 days and no less than 90 days, for the issuance of Qualified Private Activity Bonds for Qualified Residential Rental Projects, Mortgage Revenue Bonds, Small-Issue Industrial Development Bonds and Exempt Facilities, and no more than 120 days, for the issuance of Mortgage Credit Certificates and Student Loan Bonds, from the date on which the Committee grants the Allocation.

Carryforward Allocation made to a Redevelopment Agency Housing Set Aside Program or Veteran's Home Loan Program is not subject to expiration other than the requirement set forth in 26 U.S.C Section 146.f.3.

At the discretion of the Executive Director, and solely for the purpose of pooled transactions with a common credit enhancement, or coordination of low income housing tax credits, the expiration date may be extended to a date that is no more than 130 days from the date on which the Committee grants the Allocation.

Allocations of Qualified Private Activity Bonds for Qualified Residential Rental Projects and Small-Issue Industrial Development Bonds may, in the Committee's discretion, be assigned an expiration date that is either 90 days, 100 days or 110 days from the date of the Allocation. In this event, the expiration dates will be assigned randomly by a lottery drawing conducted by the Executive Director within five (5) business days following each Allocation Round. Upon expiration of an Allocation, any amount of the Allocation that has not been used to issue Qualified Private Activity Bonds or converted to Mortgage Credit Certificate authority will automatically revert to the Committee.

- II. The Committee may grant an extension of the expiration date of the Allocation of up to five (5) business days for extreme hardship cases. The Committee may delegate its authority to grant extensions to the Executive Director.
- III. Applicants that receive an Allocation after October 15 must sell and close the Qualified Private Activity Bonds or convert the Allocation to Mortgage Credit Certificate authority no later than December 31 of the same calendar year in order to comply with federal law, unless the Committee authorizes a carry forward of the Allocation under Section 13 of these Procedures. Further, the Committee may impose a shorter time frame for closing bonds or converting the Allocation to Mortgage Credit Certificate authority to insure full use of the State Ceiling.

Section 12. Transfers of Allocation

- I. Allocations (including carryforward Allocations) are not transferable unless expressly authorized in writing by the Committee. The Committee will permit transfers of Allocation (including carryforward Allocations) to the highest scoring Application on a waiting list or, if a waiting list does not exist, the highest scoring project in queue in a current Allocation Round.
- II. If an Applicant is administering a Single-Family Housing Program for itself and other participating jurisdictions, the use of Allocation within the participating jurisdictions is not considered a transfer.

Section 13. Carryforward Elections

- I. An Applicant receiving an Allocation may not carry forward the Allocation to a subsequent calendar year unless expressly authorized in writing by the Committee.
- II. At the end of a calendar year or at the end of the Allocation Rounds, the Committee may make carryforward Allocations available. In that event, the Committee will announce the conditions for applying and for receiving a carryforward Allocation.

The Committee will establish an expiration date for the carryforward Allocation and the expiration date will be specified in the Committee Resolution. If any amount of the carryforward Allocation has not been used to issue Qualified Private Activity Bonds or converted to Mortgage Credit Certificate Authority on or before the expiration date, the Performance Deposit will be forfeited to the Committee, and the expiration date for use of the carryforward Allocation will be automatically extended, without further action by the Committee, to the deadline for submitting applications to the Committee for the final Allocation Round for the calendar year following the year in which the carryforward Allocation was awarded (the "Extended Expiration Date").

If any amount of the carryforward Allocation has still not been used to issue Qualified Private Activity Bonds or converted to Mortgage Credit Certificate Authority on or before the Extended Expiration Date, the Committee may, in its sole discretion, require the issuer to transfer, in accordance with Section 12 of these Procedures, the carryforward Allocation to another approved project by the same issuer. If the Committee does not require a transfer of the carryforward Allocation, the Extended Expiration Date shall be extended from year to year (until the Allocation expires for purposes of federal law) to each subsequent deadline for submitting applications to the Committee, at which such times, the Committee may, in its sole discretion, require the issuer to transfer the carryforward Allocation to another approved project by the same issuer.

Section 14. Reporting

- I. Within twenty-four (24) hours of using the Allocation to issue Qualified Private Activity Bonds or to convert bond authority to Mortgage Credit Certificate authority, an Applicant or its counsel shall notify the Committee of such use of the Allocation by a facsimile communication to the fax number listed in Section 24 of these Procedures. The facsimile communication shall identify the Applicant, the project or program, the date the Allocation was used, and the amount of the Allocation used.
- II. Within fifteen (15) calendar days of a bond closing, an Applicant or its counsel shall formally transmit to the Committee information regarding the issuance of bonds by submitting a completed Report of Action Taken in a form prescribed by and available from the Committee.
- III. Within fifteen (15) calendar days of issuing the first Mortgage Credit Certificate, an Applicant or its counsel shall formally transmit to the Committee, to the address listed in Section 24 of these Procedures, information regarding the conversion of bond authority to Mortgage Credit Certificate authority and the issuance of at least one certificate by submitting a completed Report of Action Taken form.

Section 15. Certifications

Following the Committee's receipt of the Report of Action Taken form required by Section 14 of these Procedures and as authorized by California Government Code Section 8869.93, the State Treasurer or his or her designee shall provide the Applicant with a letter certifying that a bond issue meets the requirements of 26 U.S.C. Section 146. This certification letter shall be provided to an Applicant of Mortgage Credit Certificates at the time that the Committee Resolution is transmitted.

Section 16. Evaluation Criteria Applicable to All Applications

The following general principles apply to all Applications:

- I. **Minimum Requirements.** Wherever these Procedures require that an Applicant demonstrate a certain condition or characteristic or satisfy certain minimum requirements, each such condition or characteristic or minimum requirement must be demonstrated by the Applicant, at the time of Application, by clear and convincing evidence to the satisfaction of the Executive Director. The Executive Director shall have sole discretion, as delegated by the Committee, to determine whether each minimum requirement has been demonstrated by clear and convincing evidence, and the Executive Director shall have sole discretion, as delegated by the Committee, to not consider any Application that has not demonstrated every minimum requirement to the Executive Director's satisfaction.
- II. **Accurate and Complete Information.** It is the responsibility of each Applicant and each Project Sponsor to provide the Committee with complete and accurate information at the time the Application is filed which will enable the Executive Director to apply its criteria fairly and correctly to the Application. If the Applicant/Project Sponsor (or their attorneys, agents, employees, or other representatives) provides information that is incomplete, erroneous, inaccurate, misleading or false as to a fact material to the Executive Director's decision-making process, the Application may be rejected. If such incomplete, erroneous, inaccurate, misleading or false information is discovered after an Allocation is made, the Allocation may be rescinded, if bonds have not been sold or an election to convert bond authority to Mortgage Credit Certificates has not been filed with the Internal Revenue Service. If bonds have been sold or converted to Mortgage Credit Certificates, the Committee may take action as it deems appropriate.
- III. **Awarding of Points.** Wherever these Procedures contemplate the awarding of points to an Application, in order for an Application to qualify for such points, the Applicant must demonstrate by clear and convincing evidence to the sole satisfaction of the Executive Director that the related criterion has been satisfied. The Executive Director shall have sole discretion to determine whether the criterion has been satisfied by clear and convincing evidence. If the Executive Director, in its sole discretion, determines that the Applicant has not demonstrated by clear and convincing evidence that a particular criterion has been satisfied, the Executive Director shall be free to not award the related points.
- IV. **Readiness.** The Applicant must demonstrate that it can use the Allocation within the time frame required by these Procedures to issue Qualified Private Activity Bonds or Mortgage Credit Certificates.
- V. **Measurements.** Wherever these Procedures award points based on a measurement of distance, that distance shall be from the perimeter of the proposed project to the perimeter of the amenity referenced. Applicants must provide a detailed map in the Application from which the Committee can reasonably determine that the measurement criteria has been met.
- VI. **Disqualification.** The Committee reserves the right to disqualify an Application, an Applicant or a Project Sponsor based upon substantial evidence of:
 - A. With regard to Qualified Residential Rental Projects, significant outstanding noncompliance matters relating to any properties monitored by CTCAC and owned by the Project Sponsor or any entity that is a part of the Project Sponsor or management company;
 - B. Multiple or repeated failure to use committed public subsidies, to use private activity bond allocations within applicable deadlines, or to provide physical amenities or services;
 - C. False information provided in connection with an Application; or

D. Information that leads the Committee to reasonably and in good faith conclude that an allocation will be inimical to, or incompatible with, the purposes of these Procedures or the laws regulating the allocation of the State Ceiling on Qualified Private Activity Bonds.

- VII. Committee Discretion to Not Allocate. The Committee reserves the right to establish the minimum number of points an Application must receive in order to receive an Allocation and regardless of whether the Committee has established such minimum points, the Committee reserves the right to not make an Allocation to any Application which the Committee determines, in its sole discretion, has not been awarded a sufficient number of points under these Procedures in order to be deserving of an Allocation.

Section 17. Allocation System for Qualified Residential Rental Projects

I. Minimum Requirements

An Applicant requesting an Allocation for a Qualified Residential Rental Project must meet the following minimum requirements.

A. Readiness

The Project Sponsor must demonstrate its readiness to use the Allocation. At a minimum, the Project Sponsor shall provide evidence (1) of demonstrated site control and (2) that the project, as proposed, is zoned for the intended use and the Project Sponsor has obtained all applicable local land use approvals.

1. Demonstrated site control. The Project Sponsor shall provide evidence that the subject property is from the time of application submission, and will remain, within the control of the Applicant or Project Sponsor. A current title report (completed no more than 90 days prior to application) shall be submitted with all applications for the purposes of this threshold requirement.
 - a. Site control must be evidenced by at least one of the following:
 - i. The Applicant or Project Sponsor holds fee title as evidenced by the title report;
 - ii. An executed lease agreement or lease option for the length of time the Project will be regulated under this program between the Applicant or Project Sponsor and the owner of the subject property;
 - iii. An executed disposition and development agreement between the Project Sponsor and a public agency; or
 - iv. A valid, current, enforceable contingent purchase and sale agreement or option agreement between the Applicant or Project Sponsor and the owner of the subject property, including evidence that all extensions necessary to keep agreement current through the application filing deadline have been executed.
 - b. The Executive Director may determine, in her/his sole discretion, that site control has been demonstrated where a local agency has documented its intention to acquire the site, or portion of the site, through eminent domain proceedings.
2. Local Approvals and Zoning. The Project Sponsor shall provide evidence, at the time the Application is filed, that the project, as proposed, is zoned for the intended use, and has obtained all applicable local land use approvals that are subject to the discretion of local elected officials. Examples of such approvals include, but are not limited to, general plan amendments, re-zonings, and conditional use permits. Notwithstanding the first sentence of this subsection, local land use approvals not required to be obtained at the time of application include, design review, initial environmental study assessments, variances,

and development agreements. The Committee may require, as evidence to meet this requirement, submission of a Committee-provided form letter to be signed by an appropriate local government planning official of the applicable local jurisdiction.

B. Income and Rent Restrictions

All Qualified Residential Rental Projects must meet the following minimum income and rent restrictions, which will be included in the Committee Resolution.

1. **Minimum Income Restrictions.** A minimum of ten percent (10%) of the units in a Qualified Residential Rental Project must have Gross Rents that are restricted to households with incomes no greater than fifty percent (50%) of the Area Median Income. All of the units that meet this requirement, with the exception of Mixed Income Pool projects and units located on the upper level floors of high-rise developments, shall be generally distributed in terms of location and number of bedrooms throughout the project. All such units shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those units that are available to other tenants.

If a project is to be substantially retrofitted for energy conservation and/or it will be newly constructed with substantial energy conservation, the Application may submit utility allowances based upon the lower utility allowances projected after construction or retrofit. Such lower utility allowances must be validated by a public utility letter or public housing authority letter, which provides estimates that are adjusted for significant energy conservation sources.

2. **Minimum Rent Restrictions.** The proposed tenant paid rents for each tax-exempt bond unit type in the proposed development will be at least ten percent (10%) below rents for the same unit types in the comparable market rate rental properties, as demonstrated by a market study meeting the requirements of Section 17.I.C.

3. **Minimum Term of Restrictions**

- a. Income and rent restrictions must be maintained for a qualified project period for a minimum of thirty (30) years. For the purposes of this section, the qualified project period is that period which begins on the date when ten percent (10%) occupancy is achieved and ends on the later of:
 - i. Thirty (30) years following the date on which fifty percent (50%) occupancy is achieved, or
 - ii. The date on which bonds are no longer outstanding.
- b. All projects will be subject to Section 17.B.3.a, unless they are intended for eventual tenant homeownership, in which case they must submit, at application, evidence of a financially feasible program, incorporating, among other items, an exit strategy, home ownership counseling, funds to be set aside to assist tenants in the purchase of units, no involuntary relocation of tenants, and a plan for conversion of the facility to home ownership no sooner than the end of the initial 15 year qualified project period as required by 26 U.S.C. Section 142(d)(2)(A). In such a case, the regulatory agreement will contain provisions for the enforcement of such covenants.

C. Market Study

A full market study, prepared within 180 days of the application filing deadline, by an independent third party, having no identity of interest with the development's partners, intended partners, or general contractor, must be submitted with the Application. The market study must

comport with the Committee's market study guidelines, which are available from the Committee and through the Committee's web site, "<http://www.treasurer.ca.gov/cdlac.htm>".

D. Acquisition & Rehabilitation Projects

1. Qualified Residential Rental Projects involving the rehabilitation of existing buildings, , must complete a minimum of \$7,500 in hard construction costs per unit with the exception of a Federally Assisted At Risk project that does not receive an award of tax credit. A Federally Assisted At Risk Project that receives only an award of bond authority and does not receive low income housing tax credit, must spend the minimum amount required by 26 U.S.C. Section 147(d)(2). Hard construction costs means the amount of the construction contract not including contractor profit or overhead.
2. Applicants may be requested by the Executive Director to provide a capital needs assessment that details the work to be undertaken, the associated costs, levels of reserves and the remaining useful life of the building's major structural components.

E. Applications Submitted to CTCAC

1. Concurrent Application to CTCAC

Applicants requesting an Allocation for a Qualified Residential Rental Project who concurrently have an application for the same project filed with CTCAC for CTCAC's consideration under its nine percent (9%) program will not be permitted to apply to the Committee unless the application to CTCAC is withdrawn prior to the Application deadline.

2. Subsequent Application to CTCAC

Applicants that receive an Allocation for a Qualified Residential Rental Project are prohibited from subsequently requesting an allocation of 9% low income housing tax credits from CTCAC for the same project, except where the Executive Director grants a waiver based on extraordinary circumstances, including but not limited to, the passage of significant time or circumstances outside the Applicant's control, and makes a determination that the waiver is consistent with the provision of affordable housing.

F. Project Cost Containment

An Application requesting Allocation with total project costs that appear to be high for the geographic area in which the project is located must include an explanation for why costs are high and demonstrate that such costs are justified. Applications with high project costs will be presented to the Committee individually from the balance of recommended projects at an Allocation meeting.

G. Compliance Monitoring

All projects that receive an Allocation and do not receive an award of low income housing tax credit shall be monitored for compliance with the terms and conditions of the Committee Resolution by the Applicant. The Applicant shall submit a certification to the Committee annually that the project meets the terms and conditions of the Committee Resolution. The requirement shall be enforceable by the Committee through an action for specific performance or other available remedy.

In addition to compliance monitoring by other entities, all projects that receive Allocation and an award of low income housing tax credit shall be monitored by CTCAC for compliance with the terms and conditions of the Committee Resolution, and shall be subject to the provisions of Section 10337 of Title 4 of the California Government Code of Regulations.

To be eligible to be considered for an award of Allocation under these Procedures, Project Sponsor(s) and management companies must not have any significant outstanding noncompliance matters relating to the tenant files or physical conditions at any tax-exempt bond or low income housing tax credit financed property in California, and any Application involving a Project Sponsor or management company with significant outstanding non-compliance matters will not be considered until the Committee has received evidence satisfactory to it that those matters have been resolved.

II. Evaluation Criteria

Once the Executive Director has determined that an Application meets the minimum requirements listed above, the following criteria will be used to evaluate, award points to, and rank all Applications whether for Mixed Income Projects, Rural Projects or other Qualified Residential Rental Projects. Each of the items in this Section 17.II. will be memorialized in the Committee Resolution.

A. Federally Assisted At-Risk Projects and HOPE VI Projects – (20 points maximum)

1. Projects that are Federally Assisted At Risk Projects or HOPE VI Projects will receive 10 points.
2. Projects that are Federally Assisted At Risk Projects or HOPE VI Projects and have income restricted tenant paid rents for each tax-exempt bond unit type that is at least twenty percent (20%) below rents for the same unit types in comparable market rate rental properties will receive 10 points.

B. Exceeding the Minimum Income Restrictions – (35 points maximum for Qualified Residential Rental Projects other than Mixed Income Projects, 15 points maximum for Mixed Income Projects)

Qualified Residential Rental Projects will be awarded points for the percentage of units that are Restricted Rental Units (see attached Affordability Matrix). The Gross Rent definition will apply to the rents calculated in this Section 17.II.B. and Section 17.I.B.1.

1. For each ten percent (10%) increment of units restricted at fifty percent (50%) of Area Median Income or below, Qualified Residential Rental Projects other than Mixed Income Projects will receive seven (7) points, and Mixed Income Projects will receive three (3) points.
2. For each ten percent (10%) increment of units restricted at greater than fifty percent (50%) of Area Median Income and up to sixty percent (60%) of Area Median Income, Qualified Residential Rental Projects other than Mixed Income Projects will receive two (2) points, and Mixed Income Projects will receive one-half (½) point.

C. Gross Rents (5 points)

1. Five (5) points will be awarded to Federally Assisted At Risk Projects and tax credit projects, which are required to utilize the Gross Rent definition. (See definition of Gross Rent in Section 2)
2. Five (5) points will be awarded to projects that are not Federally Assisted At Risk Projects or tax credit projects that utilize the Gross Rent definition.
3. No points will be awarded to projects that do not utilize the Gross Rent definition.

D. Exceeding the Minimum Rent Restrictions (10 points maximum)

One (1) point will be awarded for each percentage point that the rental rate of each Restricted Rental Unit type is more than twenty percent (20%) below the rental rate of the same unit type

in the comparable market rental properties as demonstrated in the market study required by Section 17.I.C., above.

Applications receiving points under Section 17.II.A., above, shall be ineligible to receive points under this Section 17.II.D.

E. Exceeding the Minimum Term of Restrictions (10 points maximum)

Qualified Residential Rental Projects that maintain the Income and Rent Restrictions of Section 17.I.B., or the income and rent restrictions committed to in Section 17.II.B., whichever is more restrictive, for longer than thirty (30) years will be awarded two (2) points for every five (5) years of affordability beyond thirty (30) years.

F. Large Family Units (5 points)

Five (5) points will be awarded to those projects where at least thirty percent (30%) of the Restricted Rental Units are three-bedroom or larger units.

G. Leveraging (10 points maximum)

1. The Committee will consider the amount of direct or indirect committed public funds (other than any Allocation) the project has received in relation to the project's total development costs (excluding developer fees). These sources must be part of the permanent sources for the development. Public funds means direct grants, below market rate loans, or direct funds including, but not limited to, waiver of fees or the value of donated or leased land by a public agency (substantiated either by the actual purchase price of the land or by an appraisal whichever is lower) but not including property tax exemption. All deferred payment financing grants and subsidies must be committed at the time of Application.

Applications will be awarded one (1) point for every one-percent of leveraged public funds of the total development costs (minus developer fees).

2. Applications for Qualified Residential Rental Projects that will use Taxable Debt, in addition to tax-exempt bond financing, will be awarded points based on the degree that the Taxable Debt supplants the use of tax-exempt bond financing. The requirement for using Taxable Debt will be included in the Committee Resolution. Taxable Debt may only be utilized for project-related expenses, not for the cost of issuance, for which the Applicant could otherwise have used tax-exempt financing in order to receive points under this category.

Applications will be awarded one-half (1/2) of a point for every one-percent of Taxable Debt of the total development costs (minus developer fees).

3. All Deferred-Payment Financing, grants and subsidies must be committed by a public entity at the time of Application. Evidence provided shall signify the form of the commitment, the amount of the loan, grant or subsidy amount, the length of the term of the commitment, conditions of participation, and express authorization from the governing body, or an official expressly authorized to act on behalf of said governing body, committing the funds, as well as the Project Sponsor's acceptance. Commitments shall be final, not preliminary, and only subject to conditions within the control of the Project Sponsor. Fund commitments shall be from funds within the control of the committed entity at the time of the Application.

H. Sustainable Development Criteria (25 points maximum)

The Committee will award points to Applications demonstrating the following criteria:

1. Projects located in a Community Revitalization Area: (15 points maximum)

Projects located in a Community Revitalization Area (see definitions of Community Revitalization Area, Community Revitalization Plan and Distressed Community in Section 2 of these Procedures), as demonstrated by a map evidencing this, will be awarded the following points provided that the Applicant provides a letter from the municipality, redevelopment agency or other agency responsible for affordable housing production in the area confirming the activities listed below:

- a. Five (5) points will be awarded to those projects where specific and significant on-going community partnerships and programs have been created, are operational, and are providing community enhancement services in the neighborhood (e.g. job training programs, after-school enrichment programs, etc.).
- b. Five (5) points will be awarded to those projects where substantial funds (not including the funds in the proposed project) have been expended in the last three years, are being expended or are committed to be expended to improve the community infrastructure (e.g. parks, street improvements) of the overall area.
- c. Five (5) points will be awarded to those projects where other projects (such as retail, office and housing) that contribute to community revitalization have been completed in the last three years, are underway or are committed to be completed.

2. Site Amenities (10 points maximum)

The Committee will award points to Applications with site amenities. To receive points in this category, the amenity must already exist, with the following exception: Applicants requesting points for site amenities that do not currently exist must include a letter from the controlling entity, signed by an authorized individual representing the entity, that states the funds for the amenity are committed, and the amenity is planned. In the case of a bus stop that does not currently exist, points will be awarded where it is shown that the bus provider and municipality have agreed on and approved the site for the stop and it will be in existence no later than 2 years after the development is placed in service.

Points will be awarded provided the site amenities are appropriate for the population served, and a scaled-for-distance map showing the location of the project and the site amenities is provided in the Application, as follows:

- a. Two and one-half (2 ½) points will be awarded to projects located within a Public Transit Corridor or for Rural Projects where there is no public transportation system, to projects using a van or dial-a-ride service.
- b. Two and one-half (2 ½) points will be awarded to projects located within one-half (½) mile of a park or recreational facility.
- c. Two and one-half (2 ½) points will be awarded to projects located within one-half (½) mile of groceries and other essential shopping needs.
- d. Two and one-half (2 ½) points will be awarded to projects located within one-half (½) mile of public schools. Projects with all units restricted to households having all members 55 years or older shall not be eligible for points in this category.
- e. Two and one-half (2 ½) points will be awarded to projects located within one-half (½) mile of a medical facility serving seniors or a senior center. Only projects with all units restricted to households having members 55 years or older (with the exception of caregivers and others who are exempt by state law from the age restrictions) shall be eligible for points in this category.

I. Sustainable Building Methods (8 points maximum)

1. A project Application that utilizes materials that will increase energy efficiency by at least 15% above the Title 24 energy standards, or a rehabilitation project that will increase its existing energy efficiency by at least 25% will receive five (5) points.

2. Projects that incorporate items from the following list will receive one (1) point for each item used in the Project, up to a maximum of three (3) points:
 - a. Use of energy efficient appliances with the energy star rating (or equivalent) for all appliances, including refrigerators, dishwashers, washers and dryers (whether in units or in community laundry facilities), and for all heating and cooling systems, including furnaces, and air conditioners that will be used in the development;
 - b. Use of natural gas for space heating;
 - c. Use of either of the following water conserving technologies: a) flow restrictors on kitchen faucets (2 gallons per minute) and bathroom faucets (1.5 gallons per minute) or b) dual flush toilets;
 - d. Use of fluorescent light fixtures for at least 75% of light fixtures or comparable energy saving lighting for the project's total lighting (including community rooms and any common space) throughout the compliance period;
 - e. Use of either a) or b) as follows: a) no VOC paint, low-VOC carpeting and pad and low-VOC adhesives (less than 25 grams per liter), or b) humidistat fans in all bathrooms; or
 - f. Use of formaldehyde free or fully sealed particleboard or fiberboard for all cabinets, countertops and shelving.
3. To receive points under subsections 17.II.I.1 and 17.II.I.2 above the Project Sponsor and the licensed project architect or mechanical engineer shall certify, in the application, which of the items will be included in the project's design and specifications.
4. A certification at project completion that the requirements under subsections 17.II.I.1 and 17.II.I.2 have been met or exceeded shall be required of the project's licensed architect or mechanical engineer. A Project Sponsor may be subject to monitoring for compliance with this standard. A Project Sponsor receiving points under this category who fails to meet this requirement will be subject to negative points under Section 17.II.L.

J. Service Amenities (10 points maximum)

The Committee will award points to Applications with service amenities, provided that the service amenities are appropriate to the population served and are committed for a minimum of ten (10) years, as follows:

1. Five (5) points to projects with high speed internet service provided in each unit.
2. Five (5) points to projects with after school programs of an ongoing nature.
3. Five (5) points to projects with educational classes (such as English as a Second Language, computer training, etc.) but which are not the same as in 2 above.
4. Five (5) points to projects with licensed childcare providing 20 hours or more per week (Monday through Friday) to residents of the development.
5. Five (5) points to projects with contracts for services, such as assistance with daily living activities, or provision of senior counseling services.

The Project Sponsor must certify that the services proposed are free of charge (with the exception of licensed child care) and either that there is space available on the project site for the service amenity or that the service amenity is located within one-quarter ($\frac{1}{4}$) mile of the project.

K. New Construction Projects (10 points)

Ten (10) points will be awarded to new construction projects with Restricted Rental Units.

L. Negative Points – (No maximum negative points)

If an Application involves a Project Sponsor (general partner) that has been affiliated (i.e. in the ownership structure) on or after January 1, 2000 with a project for which an Allocation was previously awarded and that has the following characteristics, points will be deducted as indicated from any new Application involving the same Project Sponsor:

1. Ten (10) points will be deducted for each failure to fully utilize the committed public subsidies or Taxable Debt for which points were awarded in connection with the prior Allocation, unless it can be demonstrated to the satisfaction of the Executive Director that such failure was entirely outside of the Project Sponsor's control or the amount not utilized is de minimus. This deduction will be assessed against the Project Sponsor for a period of two calendar years (10 points each year) from the date on which the prior Allocation was awarded.
2. Ten (10) points will be deducted for each failure to issue bonds that results in the full amount of the Allocation reverting back to the Committee, unless it can be demonstrated to the satisfaction of the Executive Director that such failure was entirely outside of the Project Sponsor's control. This deduction will be assessed against the Project Sponsor for a period of two calendar years (10 points each year) from the date on which Allocation was awarded.
3. Ten (10) points will be deducted for each failure to spend the proceeds of bonds issued pursuant to an Allocation in full, or in accordance with the terms and conditions of the Committee Resolution, unless it can be demonstrated to the satisfaction of the Executive Director that such failure was entirely outside of the Project Sponsor's control, the amount not spent is de minimus, or the deviation from the terms and conditions of the Committee Resolution is not material. This deduction will be assessed against the Project Sponsor for a period of three calendar years (10 points each year) from the deadline under federal law to spend such bond proceeds.
4. Ten (10) points will be deducted for failure to comply with any provision of the Committee Resolution, unless it can be demonstrated to the satisfaction of the Executive Director that such failure was entirely outside of the Project Sponsor's control. This deduction will be assessed for a period of three calendar years (10 points each year) from the date of determination of non-compliance with the Committee Resolution.

Multiple or repeated violations as described above may result in the Committee finding Applications involving the Project Sponsor ineligible for consideration of an Allocation at the recommendation of the Executive Director.

III. Ranking Applications

After all of the Applications for Qualified Residential Rental Projects are awarded points under the evaluation criteria listed in subsection II, above, the Applications will be ranked and awarded an Allocation as follows:

- A. Applications for Mixed Income Projects will be ranked amongst themselves, and separately from Applications for all other Qualified Residential Rental Projects that are not Mixed Income Projects. Applications for Mixed Income Projects awarded the greatest number of points shall be awarded an Allocation from the Mixed Income Pool. Applications for Mixed Income Projects not receiving an Allocation under this subsection A **will not** be eligible for consideration for an Allocation under subsections B or C, below.
- B. Applications for Rural Projects will be ranked amongst themselves, and separately from Applications for all other Qualified Residential Rental Projects that are not Rural Projects. Applications for Rural Projects awarded the greatest number of points shall be awarded an Allocation from the Rural Project Pool. Applications for Rural Projects not receiving an Allocation under this subsection B **will** be eligible for consideration for an Allocation under subsection C, below.
- C. Applications for Qualified Residential Projects that are not Mixed Income Projects, and any Applications for Rural Projects not receiving an Allocation under subsection B, above, will then be ranked together. Applications receiving the greatest number of points shall be awarded an Allocation from the Qualified Residential Rental Project Pool.
- D. If two or more Applications are awarded the same total number of points, these Applications will be ranked according to the lowest amount of requested Allocation per Restricted Rental Unit (Allocation amount requested divided by number of Restricted Rental Units).

IV. Maximum Allocation Amount

The Committee will allocate no more than \$30 million for any proposed Qualified Residential Rental Project. Where an Application is received for a proposed Qualified Residential Rental Project that is located within one-fourth (1/4) mile of another Qualified Residential Rental Project involving the same Project Sponsor or a Related Party to the Project Sponsor, the Allocation amounts for every such Qualified Residential Rental Project cannot, in the aggregate, exceed \$30 million within a calendar year.

Annually, the Committee may adjust or waive this maximum allocation amount if the Committee determines that the demand for allocation for Qualified Residential Rental Projects is such that the maximum allocation amount is not warranted.

An Applicant requesting an Allocation over \$30 million may request an exception based on the following factors:

- A. The Qualified Residential Rental Project qualifies as a Federally Assisted At-Risk Project; or
- B. Documentation is provided in the Application indicating why a Qualified Residential Rental Project cannot be developed in phases at a \$30 million level. Development of a project in phases means the completion of a project in stages as opposed to a single on-going development.

The information must be specific and may include, but is not limited to, a site plan detailing the layout of the subject property, unit mix per stage of the phase, any unique features of the property which inhibits phasing, a description of infrastructure costs, and a cost breakdown by phases.

If the documentation is satisfactory, the Executive Director may recommend that an exception be granted to the maximum allocation limit.

V. Redevelopment Agency Housing Set Aside Program

- A. If any part of the Qualified Residential Rental Project Pool remains unallocated after the Committee makes Allocations under section 17.I-IV, or the Committee elects to transfer additional Allocation to the Qualified Residential Rental Project Pool, the Committee may then consider Applications from a statewide issuer, joint powers authority, or redevelopment agency

for an Allocation for a Redevelopment Agency Housing Set-Aside Program on a carry forward basis.

- B. Applicants are eligible to receive Allocation on the condition that the entire Allocation will be used to provide financing for projects, plus reasonable amounts for issuance costs and reserves, that have received or will receive an Allocation for bond authority under section 17.I-IV above.
- C. In the event that demand for Redevelopment Agency Housing Set-Aside Programs exceeds the available supply of bond authority:
1. Awards shall be made first to Applicants sufficient to fund projects that show readiness. Readiness is demonstrated by projects that have received an Allocation of first mortgage bond authority from the Committee.

In the event that demand for Allocation to projects that meets the readiness requirement exceeds supply of available Allocation, then each Applicant will receive a portion of the available Allocation based on the percentage of their ready projects as compared to the total requested by all Applicants for ready projects in the program. That percentage shall be applied to the Allocation available to determine the amount of award to each Applicant. For example, \$100 million in Allocation is available and a total of \$150 million is requested for ready projects. An Applicant requests \$30 million for ready projects, which is 20% of the total requested ($30/150=.20$). The percentage (20%) is then applied to the total amount available (\$100 million) resulting in an award of \$20 million to the Applicant.
 2. If any part of the Allocation for the program remains unallocated after awards are made under section 17.V.C.1., awards shall be made to fund projects that have not yet received an award of first mortgage bond authority from the Committee.

In the event that demand for Allocation exceeds supply of available Allocation after awards are made under section 17.V.C.1., then each Applicant will receive a portion of the available Allocation based on the percentage of their request as compared to the total requested by all Applicants in the program. That percentage shall be applied to the Allocation available to determine the amount of award to each Applicant.
- D. Applicants for an Allocation under the Redevelopment Agency Housing Set-Aside Program will be required to submit information including, but not limited to:
1. Evidence of appropriate governing board action authorizing the agency to participate in the program.
 2. An outline of the total housing set aside received by each participating redevelopment agency per year and the dollar amount and number of years that will be pledged to secure the proposed bond issuance.
 3. An outline of the proposed bond structure, bond term, fixed or variable interest rate, credit rating, and credit enhancement.
 4. The estimated sources and uses of bond proceeds, including cost of issuance and other fees associated with the proposed program.
 5. A list of projects anticipated to receive Program proceeds that identifies the name, location, financing, affordability, timing and status of the project.
- E. An Applicant receiving an Allocation for a Redevelopment Agency Housing Set Aside Program shall be responsible for submitting an annual report of program activity to the Committee. The Committee will provide the format for all such annual reports.

- F. In the event that Allocations, or proceeds resulting from the issuance of bonds, under the Redevelopment Agency Housing Set Aside Program are not used, the Committee, in its sole discretion, may elect to transfer Allocation or proceeds to projects from the same issuer in the first mortgage Qualified Residential Rental Program.

Section 18. Allocation System for Single-Family Housing Programs

I. Minimum Requirements

An Applicant requesting an Allocation for a Single-Family Housing Program must meet the following requirements:

- A. A minimum of forty percent (40%) of the participants in the Single-Family Housing Program must be households: (1) earning eighty percent (80%) or less of the Applicable Median Family Income of the area in which the program is located; or (2) located in a Qualified Census Tract. Applicants may use the high-cost area adjustment specifically set forth in 26 U.S.C. Section 143 (f)(5) to meet this minimum requirement.
- B. An Applicant that is unable to meet the requirement outlined in section 18.I.A, may request an exemption. However, in no case may less than thirty-five percent (35%) of the participants in the Single-Family Housing Program be households: (1) earning eighty percent (80%) or less of the Applicable Median Family Income of the area in which the program is located; or (2) located in a Qualified Census Tract. Applicants may use the high-cost area adjustment specifically set forth in 26 U.S.C. Section 143 (f)(5) to meet this minimum requirement.

To be considered for an exemption an Applicant must submit convincing documentation, to the satisfaction of the Executive Director, of the programmatic or economic reasons why the requirement outlined in subsection 18.I.A cannot be met.

- C. The proposed Single-Family Housing Program must be consistent with the adopted housing element(s) for the jurisdiction(s) in which the program is to be operated.
- D. For Mortgage Revenue Bond programs, in order to be eligible for a new Single Family Housing Program Allocation, the Applicant must:
1. Demonstrate that all proceeds from a bond issuance in the calendar year three years prior to the current year (other than minor amounts not to exceed \$1 million) either:
 - a. Have been used to finance loans, or;
 - b. Have been refunded on either a short or long term basis so as to be available to finance loans; and
 2. Certify that any remaining bond proceeds or authority from an Allocation up to two years prior to the current year will be used either:
 - a. Before the use of new Allocation and/or;
 - b. In conjunction with new Allocation in satisfying federal requirements (32-year rule) for such prior funds.
- E. For Mortgage Credit Certificate programs, in order to be eligible for a new Single Family Housing Program Allocation, the Applicant must:
1. Demonstrate that no Mortgage Credit Certificate authority from the year two years prior to the current year has been unused (other than minor amounts not to exceed \$1 million); and
 2. Certify that any Mortgage Credit Certificate authority remaining from the year prior to the current year will be used before the use of new Mortgage Credit Certificate authority.

- F. The Committee may consider exceptions to the minimum requirements based upon detailed information submitted by the Applicant that meeting these requirements presents an undue financial burden or economic hardship for the Applicant. The Committee may delegate the discretion to approve or deny an Applicant's request for such exception to the Chair of the Committee or to the Executive Director. With respect to section 18.I.D, and section 18.I.E., to be granted an exception an Applicant must demonstrate its need to use new Allocation even if unused Mortgage Revenue Bond authority or Mortgage Credit Certificate authority totaling over \$1 million remains from prior years.
- G. Veteran's Home Loan Program
- A. After all Allocations in section 18.I.A-F have been made, and bond authority remains unallocated in the Single Family Housing Program Pool, or after all Allocations in section 18.I.A-F have been made and the Committee elects to transfer additional bond authority into the Single Family Housing Program Pool, the Committee may consider an Application from the California Department of Veteran's Affairs for the purpose of a Veteran's Home Loan Program.
 - B. The Veteran's Home Loan Program will utilize mortgage revenue bonds to assist eligible California veterans with advantageous first mortgages.
 - C. Allocation will be made on the condition that the entire Allocation will be used to provide below market interest rate mortgages to California veterans.
 - D. The Applicant for an Allocation under the Veteran's Home Loan Program will be required to submit information including, but not limited to:
 1. An outline of the proposed bond structure, bond term, fixed or variable interest rate, and credit rating.
 2. The estimated sources and uses of bond proceeds, including cost of issuance and other fees associated with the proposed program.
 3. The anticipated number of veterans to be assisted and the time frame for the use of Allocation.
 - E. The Applicant receiving an Allocation for a Veteran's Home Loan Program shall be responsible for submitting an annual report of program activity to the Committee. The Committee will provide the format for all such annual reports.

II. Evaluation and Distribution Criteria

Once the Executive Director has determined that an Application meets the minimum requirements listed above, the Executive Director will use the following criteria to evaluate the Applications and distribute the Single-Family Housing Program Pool.

- A. Fair Share Allocation. After the Committee determines under Section 4 of these Procedures the portion of the Single-Family Housing reservation that will be allocated to CalHFA, the remainder of the Single-Family Housing Program Pool will be reserved, by county, for Local Issuers. Each county shall receive a proportionate share of the amount reserved for Local Issuers based on the population of the county relative to the State's total population. Populations will be based on data published by the California State Department of Finance Demographics Unit. Where there is more than one Local Issuer in a county, each Local Issuer shall receive a proportionate share of the county's reservation based on the population of the jurisdictions served by an issuer relative to the county's total population, or as agreed upon by the participating Local Issuers.

B. Allocation of the Bonus Pool Reserve

1. If the Committee has established a Single-Family Housing Program Bonus Pool in accordance with Section 4 of these Procedures, the Committee may consider the following factors in awarding an Allocation from the Single-Family Housing Program Bonus Pool. All issuers of single-family housing bonds, including CalHFA, will be eligible for consideration by the Committee for an Allocation from the Single-Family Housing Program Bonus Pool.
 - a. Five (5) points will be awarded where a minimum of twenty-five percent (25%) of program participants are households earning sixty percent (60%) or less of the Applicable Median Family Income of the area in which the program is located;
 - b. Five (5) points will be awarded where the program has exceeded its prior year's program performance (based on the most recent yearly data that is available) by ten percent (10%) in assisting households earning sixty percent (60%) or less of the Applicable Median Family Income of the area in which the program is located;
 - c. Five (5) points will be awarded where the program will address a demonstrable imbalance between jobs and housing in the community or neighborhood based on sufficient evidence provided to the Committee;
 - d. Five (5) points will be awarded where at least twenty-five percent (25%) of the program activity will occur in a Community Revitalization Area.
 - e. Five (5) points will be awarded where at least twenty-five percent (25%) of the program activity will occur in rural locations to assist units that will be developed under a low-income self-help ownership program or be restricted for sale to low-income households engaged in agricultural employment as described in Section 7202 of the California Health and Safety Code.
 - f. Five (5) points will be awarded where the program is augmented with a down-payment assistance program provided by the Applicant or by the other participating jurisdictions.
2. All Applicants, including CalHFA, meeting a minimum score of fifteen (15) points will be awarded an Allocation of the Single-Family Housing Program Bonus Pool. If CalHFA is awarded fifteen (15) points, CalHFA will be awarded an Allocation of the Single-Family Housing Program Bonus Pool in the same proportion as CalHFA's fair share allocation. The remaining amount of the Single-Family Housing Program Bonus Pool will be awarded to Local Issuers. The amount awarded to a Local Issuer winner will be based on each Applicant's pro-rata population relative to the total population of all the winning Applicants in the same manner as the fair share allocation described in II.A. above.

III. Performance Monitoring of Single-Family Housing Programs

- A. An Applicant receiving an Allocation for a Single-Family Housing Program will be held accountable for achieving the minimum requirements that were considered by the Committee in awarding the Allocation. The Committee will monitor, on an annual basis, the programs awarded an Allocation. A Single-Family Housing Program that has not achieved the participation requirements set forth in Section 18.I.A., above, will have its next year's Allocation, if any, reduced in accordance with the following schedule:

<u>Performance Achievement</u>	<u>Fair Share Allocation Amount</u>
91% - 100%	100%
81% - 90%	90%
71% - 80%	80%
61% - 70%	70%
0% - 60%	60%

- B. The Committee may consider exceptions to the above schedule of reduced Allocation where the Applicant provides full written documentation of the reasons for the underachievement and how the circumstances surrounding the underachievement are beyond the control of the Applicant. The Committee may delegate the discretion to approve or deny an Applicant's request for such exception to the Chair or to the Executive Director.

Section 19. Allocation System for the Extra Credit Teacher Home Purchase Program Pool

Issuers of Mortgage Revenue Bonds or Mortgage Credit Certificates pursuant to this Section may apply these eligibility standards, as amended September 2002, to borrowers without regard to the date of receipt of allocation.

I. Minimum Requirements

An Applicant requesting an Allocation from the Extra Credit Teacher Home Purchase Program Pool must be an approved issuer of Mortgage Credit Certificates or Mortgage Revenue Bonds and must propose an Extra Credit Teacher Home Purchase Program whereby Mortgage Credit Certificates or loans funded by Mortgage Revenue Bonds will be made available to Eligible Teachers, Eligible Administrators, Eligible Classified Employees, and Eligible Staff Members. Approved issuers of Mortgage Credit Certificates and Mortgage Revenue Bonds may apply jointly.

II. Extra Credit Teacher Home Purchase Program

- A. The Extra Credit Teacher Home Purchase Program proposed by the Applicant must be for the purpose of recruiting and retaining Eligible Teachers, Eligible Administrators, and Eligible Classified Employees in High Priority Schools, and the Applicant must commit to and describe its plan to promote, publicize and market the program in conjunction with School District(s) and County Office(s) of Education to Eligible Teachers, Eligible Administrators, and Eligible Classified Employees.
- B. The Extra Credit Teacher Home Purchase Program proposed by the Applicant must, at a minimum, include all of the following:
 - 1. A specific plan that gives priority to Eligible Teachers, Eligible Administrators, and Eligible Classified Employees working in High Priority Schools ranked 1, 2 or 3 in the API rankings.
 - 2. A provision that Eligible Teachers, Eligible Administrators, and Eligible Classified Employees include such individuals who are assigned to a school district but provide administration or service to at least one High Priority School for the length of the service commitment.
 - 3. A provision restricting the program to Eligible Teachers, Eligible Administrators, and Eligible Classified Employees who agree, through a written Service Commitment, to teach, provide administration or service in a High Priority School for a minimum of three (3) years continuously from the date the Mortgage Credit Certificate or the loan funded by Mortgage Revenue Bonds is awarded to the Program Participant, and for whom an Extra Credit Teacher Home Purchase Program Eligibility Certificate has been completed and submitted by a duly authorized representative of the employing school district or County Office of Education. The documentation associated with the Mortgage Credit Certificate or the loan funded by the Mortgage Revenue Bond will include a written Service Commitment of the Program Participant.
 - a. Program Participants will be excused from their Service Commitment in the following cases:

- i. The Program Participant has been continuously employed at the same school since the date of the Service Commitment, but the school is no longer considered a High Priority School;
- ii. The Program Participant's departure from the High Priority School was involuntary, and was not the result of disciplinary action, and she/he accepts another eligible position at a California K-12 public school within one year of her/his date of departure;
- iii. Hardship cases, including but not limited to serious illness, death and divorce;
- iv. Occurrences covered under the Family Medical Leave Act or the California Family Rights Act; and
- v. Other exceptions as proposed by the Applicant in the Application and approved by the Committee; the Committee may delegate this authority to the Chair or the Executive Director.

4. A priority system such that:

- a. In the event an applicant's program is oversubscribed, the applicant must provide assistance to Eligible Teachers and Eligible Administrators before providing such assistance to other eligible program participants.
- b. Eligible Teachers with National Board Certification shall have priority over Eligible Teachers without such certification.
- c. Applicants may determine how each priority will be implemented (e.g., a program set-aside) and shall indicate such in the Application.

C. The Extra Credit Teacher Home Purchase Program proposed by the Applicant may also include a proposal to recruit and retain:

- 1. Eligible Staff Members who provide administration or service at a High Priority School; and/or
- 2. Eligible Teachers, Eligible Administrators, Eligible Classified Employees, and Eligible Staff Members who provide administration or service at an Alternative School.

If an Applicant includes such a proposal, the proposal must comply with the provisions of Section 19.II.B.

III. Evaluation Criteria

Once the Executive Director has determined that an Application meets the minimum requirements listed above, the Committee will evaluate the Applications based on the following criteria:

- A. The amount of the Homeownership Assistance provided and the percentage of Program Participants to whom it will be provided.
- B. The strength of the Applicant's plan to publicize, promote and market the Extra Credit Teacher Home Purchase Program to School Districts, County Offices of Education, Alternative Schools and Eligible Teachers, Eligible Administrators, Eligible Classified Employees and Eligible Staff Members.
- C. The extent to which Applicants show the greatest need within the Applicant's jurisdiction to recruit and retain Eligible Teachers, Eligible Administrators, Eligible Classified Employees and Eligible Staff Members.
- D. The Applicant's past performance, if any, in using past Allocations from the Extra Credit Teacher Home Purchase Program Pool

IV. Allocation Amount

The Committee will determine the amount to be allocated to each Applicant based upon the evaluation criteria set forth in Section 19.III, the number of Applicants applying in the Allocation Round, and the amount of allocation available in the Extra Credit Teacher Home Purchase Program Pool. The Committee may, in its sole discretion, allocate a larger portion of the Extra Credit Teacher Home Purchase Program Pool to Applicants who administer statewide Mortgage Credit Certificate and Mortgage Revenue Bond programs.

V. Monitoring and Reporting Requirements

The Applicant shall require each Program Participant to certify, at the end of each Program Participant's Service Commitment, whether the Program Participant has fully performed the Service Commitment or has been excused from the Service Commitment based upon one of the permitted exceptions set forth in Section 19.II.B.3.a.

Section 20. Allocation System for Small-Issue Industrial Development Bond Projects

I. Minimum Requirement

An Applicant requesting an Allocation for a Small-Issue Industrial Development Bond Project must provide documentation of the applicable discretionary use permits and approvals from federal, state or local planning agencies for the proposed project at the time of Application. Applicants are not required to have obtained ministerial approvals at the time of Application.

II. Evaluation Criteria

Once the Executive Director determines that an Application has met the minimum requirements set forth in subsection I., above, the following criteria will be used by the Executive Director to evaluate, rank and award Allocations from the Small-Issue Industrial Development Bond Pool.

A. Community Economic Need (25 points maximum)

Applications will be awarded up to twenty-five (25) points for projects that are located in communities according to the following:

1. Unemployment Rate of the Area In Which Project Site Is Located (10 points maximum)

Based on data from the Employment Development Department, the average unemployment rate for the preceding calendar year of the county sub-area in which the Small-Issue Industrial Development Bond Project is located will be divided by the statewide unemployment rate for the preceding calendar year and multiplied by 100. The following points will be awarded:

- a. Ten (10) points to a project located in an area with an unemployment rate that is one hundred seventy-five percent (175%) or more of the statewide average.
- b. Five (5) points to a project located in an area with an unemployment rate that is one hundred twenty-five percent (125%) or more, but less than one hundred seventy-five percent (175%), of the statewide average.

2. Project Area Poverty Rate (5 points maximum)

Based on the most recent data from the United States Bureau of the Census, the estimated poverty rate of each federal census tract within a 1-mile radius area of the project site, the poverty rate of the census tract(s) will be divided by the statewide poverty

rate and multiplied by 100. The following points will be awarded (if there is more than one tract, the poverty rates will be averaged):

- a. Five (5) points to a project located in an area in which the poverty rate is over one hundred twenty-five percent (125%) of the statewide poverty rate.
 - b. Three (3) points to a project located in an area in which the poverty rate is over one hundred ten percent (110%) but not more than one hundred twenty-five percent (125%) of the statewide poverty rate.
3. Five (5) points to a project located in a Special Designation Area.
 4. Five (5) points to a project located in an area with a median family income of less than eighty percent (80%) of the statewide average based on the most recent census data available for cities or Census Designated Places. (If no city or Census Designated Place level data is available, or if the Applicant chooses to identify a project benefit area that is smaller than a city or Census Designated Place, such as census tract or tracts, smaller areas will be used.)
 5. When a project is located in an area for which there is no available economic data, to determine points under sections 20.II.A.1 and 20.II.A.4, the Applicant may submit alternate information to establish the project's consistency with the intent of the aforementioned point categories. For example, an Applicant may submit unemployment and/or median family income data for a neighboring area that is a sub-area, a city, or a Census Designated Place that is in close proximity to the proposed project. The Executive Director shall have the authority to determine whether the alternate information meets intent of the point category for which such information has been submitted.

B. Job Creation and Job Retention (25 points maximum)

Applications will be awarded points where the Applicant proposes Job Creation and/or Job Retention. The amount of the Allocation requested in the Application will be divided by the amount of Job Creation or Job Retention proposed by the Small-Issue Industrial Development Bond Project and verified by the appropriate city or county official. Points will be awarded as follows:

1. Twenty-five (25) points to projects creating or retaining one (1) job per \$35,000 or less of Allocation.
2. Fifteen (15) points to projects creating or retaining one (1) job per \$35,001 to \$50,000 of Allocation.
3. Five (5) points to projects creating or retaining one (1) job per \$50,001 to \$75,000 of Allocation.

On an annual basis, commencing in calendar year 2003, the Committee will consider amending the number of jobs that must be created in relation to the requested allocation amount.

C. Welfare To Work Plan (5 points)

Five (5) points will be awarded where the Project Sponsor proposes participation in a Welfare-to-Work Plan in conjunction with a local governmental agency, educational agency, or non-profit organization.

D. Payment of Employee and Dependent Medical, Dental, Vision and Child-Care Costs (5 points maximum)

Applications will be awarded points where the Applicant contributes toward the cost of employee and dependent medical, vision, dental, and child-care benefits. Applicants must provide a certification letter from each of a Project Sponsor's medical, dental, vision and child-care providers certifying to the Project Sponsor's average contribution per employee toward the provision of these benefits. This average will be computed by dividing the Project Sponsor's total monthly aggregate contribution toward the provision of these benefits by the total number of employees. Points will be awarded based on the average dollar amount per employee contributed by the Project Sponsor toward the cost of benefits as follows:

1. Five (5) points will be awarded to Applications that demonstrate that the Project Sponsor will contribute an average of \$300 or more per month toward the cost of the medical, dental, vision or child-care benefits for each employee and dependents of the employee of the Small-Issue Industrial Development Bond Project.
2. Three (3) points will be awarded to Applications that demonstrate that the Project Sponsor will contribute an average of \$200 or more, but less than \$300, per month toward the cost of the medical, dental, vision or child-care benefits for each employee and dependents of the employee of the Small-Issue Industrial Development Bond Project.
3. One (1) point will be awarded to Applications that demonstrate that the Project Sponsor will contribute an average of \$100, but less than \$200, per month toward the cost of the medical, dental, vision or child-care benefits for each employee and dependents of the employee of the Small-Issue Industrial Development Bond Project.

E. Average Hourly Wage (5 points maximum)

Applications will be awarded up to five (5) points based on a comparison of (a) the average hourly wage of the jobs created by the Small-Issue Industrial Development Bond Project ("Project Wage") based on a letter from the Project Sponsor certifying the amount of the Project Wage, to (b) the most recent average hourly general manufacturing wage for the Metropolitan Statistical Area in which the project is located ("Job Wage") based on the Bureau of Labor Statistics Series Code from the Employment Development Department. If a project is (1) not located in a Metropolitan Statistical Area for which the Employment Development Department keeps hourly wage data; or (2) not located in any Metropolitan Statistical Area, the Executive Director will set the Job Wage based upon the Job Wage of a comparable area. The Project Wage will be divided by the Job Wage and multiplied by 100. Points will be awarded as follows:

1. Five (5) points for a Project Wage that is one hundred twenty-five percent (125%) or more of the Job Wage;
2. Three (3) points for a Project Wage that is one hundred fifteen percent (115%) or more but less than one hundred twenty-five percent (125%) of the Job Wage;
3. One (1) point for a Project Wage that is one hundred five percent (105%) or more but less than one hundred fifteen percent (115%) of the Job Wage.

F. Land Use/Energy Efficiency (15 points maximum)

1. Five (5) points will be awarded to projects that reuse:
 - a. Vacant or abandoned buildings; or
 - b. Vacant or abandoned land with developed infrastructure (excluding land whose immediate prior use was agricultural, open space or other similar use).

2. Five (5) points will be awarded to projects that are located within a Public Transit Corridor, or in areas where there is no public transportation system, the Project Sponsor has an adopted transportation system management plan. This plan must be submitted at the time of Application.
3. Five (5) points will be awarded to projects that utilize designs, materials or techniques to reduce energy usage by at least fifteen (15%) on the part of the Project Sponsor compared to the following benchmarks: (1) for building construction or rehabilitation, the most recent California Energy Commission Energy Efficiency Standards for Residential and Non-Residential Buildings; and (2) for equipment to be purchased and installed, the current per energy unit output of equipment currently in use by the Project Sponsor. Evidence should include a utility company letter indicating that energy savings are projected or a written certification from an energy efficiency consultant.

G. Leverage (5 points maximum)

The Committee will award points to Applications for Small-Issue Industrial Development Bond Projects where the Applicant demonstrates that the financing of the project will include Taxable Debt such that the Taxable Debt will supplant the use of tax-exempt bond financing. The Applicant must provide documentation showing that the proceeds of the Taxable Debt will be used for project expenses directly related to job creation.

1. Five (5) points for projects utilizing Taxable Debt greater than twenty percent (20%) of total project costs.
2. Three (3) points for projects utilizing Taxable Debt greater than ten percent (10%) and up to twenty percent (20%) of total project costs.
3. One (1) point for projects utilizing Taxable Debt of up to ten percent (10%) of total project costs.

H. Ranking Applications

If, after awarding points under this subsection II, two or more Applications are awarded the same number of points, the Executive Director will divide the Allocation amount requested by each such Application by the number of jobs created by the related project, and will rank the Applications based on the lowest amount of requested Allocation per job created.

- III. For a proposed Enterprise Zone Facility Bond Project for which the Applicant has determined that job creation is the project's major public benefit, the Applicant shall apply for Allocation under this Section 20, and the criteria under this Section 20 shall be used to evaluate the Application.

IV. Equipment Only Purchase Program

The Committee may, in its sole discretion, award an Allocation to the California Statewide Communities Development Authority for an Equipment Only Purchase Program.

A. Minimum Requirements. An Application requesting an Allocation from the Equipment Only Purchase Program Pool must meet the following minimum requirements:

1. The program will assist only small or start-up manufacturing companies that meet the requirements for eligibility for a qualified small-issue bond as described under 26 U.S.C. Section 144.
2. The program will provide tax-exempt bond financing for only the lease-purchase of manufacturing equipment.
3. The program will privately place bonds issued pursuant to the Allocation with institutional investors that have an "A" or better rating.
4. The program will obtain the approval of CIDFAC prior to issuing bonds utilizing the Allocation for any project proposed for financing under the program.

- B. Awarding the Allocation. Once the Executive Director has determined that the Application has met the minimum requirements set forth in subsection A, above, the Committee may award an Allocation from the Equipment Only Purchase Program Pool to the California Statewide Communities Development Authority.
- C. Time Period for Utilizing Allocation. The California Statewide Communities Development Authority may retain the Allocation for the period of time specified in the Committee Resolution. From time to time during the specified time period, the California Statewide Communities Development Authority may issue bonds to finance projects approved by CIDFAC under the program.

V. Small Business Program

The Committee may, in its sole discretion, award an Allocation to CIDFAC for purposes of administering a Small Business Program. In awarding the Allocation to CIDFAC, the Committee will authorize CIDFAC to transfer portions of the Allocation to Local Issuers and the CIEDB for purposes of issuing bonds under the Program on behalf of qualified Small Businesses.

A Project Sponsor may submit an Application to the Small Business Program or the Small-Issue Industrial Development Bond Program; however, a Project Sponsor may not submit Applications for the same Project to both programs concurrently.

A. Minimum Requirements

The Minimum Requirements of the Small Business Program shall include, but are not limited to, the following:

1. Bonds will be privately placed with Qualified Institutional Investors as defined by Securities and Exchange Commission guidelines Rule 144A, or issued as a public offering with standardized bond documents approved by CIDFAC.
2. A Project Sponsor shall be a Small Business as defined by CIDFAC.
3. The maximum amount of tax-exempt and taxable financing shall be \$4 million annually per Small Business.
4. CIDFAC, in its sole discretion, shall determine the percentage of Small Business projects funded on an annual basis that will be located in Distressed Communities, to be calculated separately for CIDFAC and CIEDB projects.
5. CIDFAC, in its sole discretion, shall determine the minimum ratio of jobs created or retained to Allocation requested.
6. Project Sponsors shall be subject to a prevailing wage requirement. The definition of prevailing wage is contained in California Government Code Section 91533(l).
7. The Applicant must provide documentation of the applicable discretionary use permits and approvals from federal, state or local planning agencies for the proposed Project at the time of application.

B. Point Allocation Criteria

CIDFAC will implement a system to evaluate, rank, and award allocation points to eligible Small Business projects that are competing for an Allocation. The Point Allocation Criteria shall include, but are not limited to, the following:

1. Project Sponsor's participation in a Welfare-to-Work Plan.
2. Project Sponsor's payment of employee and dependent medical, dental, vision and child-care costs.
3. Project Sponsor's average hourly wage of new jobs created exceeding the average hourly general manufacturing wage of the area in which the project is located.
4. Project Sponsor's participation in community development/energy efficiency efforts that include the following:

- a. Project Sponsor's reuse of vacant or developed land and buildings within existing urbanized or rural areas.
 - b. Project Sponsor's location of the project within a Public Transit Corridor.
 - c. Project Sponsor's location of the project in an area with an unemployment rate that exceeds the statewide average by the amount expressed as a percentage.
 - d. Project Sponsor's use of materials, to improve energy efficiency.
 - 5. Project Sponsor's use of Taxable Debt to leverage the Allocation.
- C. Transfer of Allocation by CIDFAC
- 1. CIDFAC will transfer, by resolution, Allocation to local issuers based on the total scores of the Small Business Program projects competing in the same month. The Allocations will be awarded in order of high score to low score. CIDFAC may establish a minimum point threshold for receiving Allocation.
 - 2. CIEDB may submit Small Business Program projects to CIDFAC for Allocation provided CIEDB certifies to the CIDFAC Executive Director that the projects are in compliance with all of the Small Business Program Minimum Requirements and Point Allocation Criteria as set forth by CIDFAC. Upon receipt of the CIEDB request for Allocation and certification of compliance, CIDFAC will authorize the transfer of Allocation to CIEDB.
- D. Reporting the Transfer and Use of Allocation
- 1. The CIDFAC Executive Director will report each transfer of Allocation to the Committee's Executive Director.
 - 2. Applicants receiving Allocation under the Program shall comply with the reporting requirements contained in Section 14 of these Procedures.

VI. Energy Financing Program

The Committee may, in its sole discretion, award an Allocation to the Power Authority, or in the Committee's sole discretion, to another entity deemed capable of administering an Energy Financing Program, for purposes of administering an Energy Financing Program. In the event the Committee awards such Allocation to an entity other than the Power Authority, then references to the Power Authority in this Section 20.VI. shall mean such other entity.

- A. Awarding Allocation. In awarding the Allocation to the Power Authority, the Committee will authorize the Power Authority to:
 - 1. Use the Allocation to issue bonds;
 - 2. Transfer portions of the Allocation to Local Issuers or to CIEDB to issue bonds.
- B. Minimum Requirements. The Power Authority's Application requesting an Allocation from the Energy Financing Program Pool must propose an energy financing program that meets the following minimum requirements:
 - 1. The program will assist companies that meet the requirements for eligibility for a qualified small-issue bond as described under 26 U.S.C. Section 144.
 - 2. The program will provide tax-exempt bond financing to eligible companies for:
 - a. The purchase, construction and installation of renewable energy systems, energy-efficient equipment or systems, or clean distributed generation systems, and
 - b. The manufacture of renewable and clean energy components or systems.

- C. Awarding the Allocation. Once the Executive Director has determined that the Application of the Power Authority has met the minimum requirements set forth in subsection B, above, the Committee may award an Allocation from the Energy Financing Program Pool to the Power Authority.
- D. Issuance of Bonds and Transfer of Allocation by the Power Authority.
 - 1. The Power Authority will accept applications for its Energy Financing Program from eligible companies. The Power Authority may use the application form established by the Committee under these Procedures, or such other application form to be developed by the Power Authority.
 - 2. The Power Authority will establish the criteria and scoring system that will apply to applications for the Power Authority's Energy Financing Program. The Power Authority also may establish a minimum point threshold for such applications.
 - 3. The Power Authority will score the applications received for the Energy Financing Program based on its criteria and scoring system, and will either issue bonds on behalf of such applicants that are eligible companies or may, in its sole discretion, transfer, by resolution, portions of the Allocation to Local Issuers and/or to the CIEDB for such Local Issuers or the CIEDB to issue bonds on behalf of such applicants that are eligible companies.
- E. Time Period for Utilizing Allocation. The Power Authority may retain the Allocation for the period of time specified in the Committee Resolution.
- F. Reporting the Transfer and Use of Allocation
 - 1. The chief executive officer of the Power Authority will report each transfer of Allocation to the Committee's Executive Director.
 - 2. All entities issuing bonds under this Program shall comply with the requirements of Section 14 of these Procedures.

Section 21. Allocation System for Exempt Facility Projects

I. Minimum Requirements

- A. An Application for an Exempt Facility Project must demonstrate that there will be more public benefits (e.g. a reduction in fees to the consumer) if the project is financed with tax-exempt bond financing than with any other means of financing available to the Project Sponsor. At a minimum, documentation must compare tax-exempt bond financing with other means of financing available to the Project Sponsor, such as conventional bank loans, lines of credit, taxable bonds, and other instruments.
- B. The Applicant must have commenced the California Environmental Quality Act Review Process at the time of Application, if applicable to the Exempt Facility Project proposed. The notice of decision required under California Public Resources Code Section 21152 for the Exempt Facility Project must have been published at the time of Application and the statute of limitations as defined by California Public Resources Code Section 21167 for filing an appeal to the decision must have expired within fifteen (15) calendar days prior to the Allocation Round during which the Application will be considered, with no appeal or similar action having been filed during the period covered by the statute. In addition, the Applicant must provide documentation of the applicable discretionary use permits and approvals from federal, state or local planning agencies for the proposed project at the time of Application. Applicants are not required to have obtained ministerial approvals at the time of Application.

- C. The Committee may require the Applicant to submit an engineering or economic feasibility study, or both, for projects with no Credit Enhancement. In cases where the Project Sponsor has completed such studies, the Executive Director may request that a review by an independent consultant, who has been approved by the Executive Director, be completed. The fees of such independent consultant shall be paid by the Project Sponsor.

II. Evaluation Criteria

Once the Executive Director has determined that an Application has met the minimum requirements set forth in subsection I, above, the following criteria will be used by the Executive Director to evaluate, rank and award Allocations from the Exempt Facility Project Pool.

A. First Tier Business Under Regulatory Mandate

Allocations from the Exempt Facility Project Pool will be first awarded to Applications in which the Project Sponsor is a First Tier Business, and the Exempt Facility proposed by the Application is in direct response to a Regulatory Mandate. These Applications will be evaluated based on the criteria set forth in subsection E, below, and ranked and awarded Allocations from the Exempt Facilities Project Pool based on such ranking.

B. First Tier Business Not Under Regulatory Mandate

If any part of the Exempt Facility Project Pool remains unallocated after the Committee makes the Allocations under subsection A, above, the Committee will then consider other Applications in which the Project Sponsor is a First Tier Business, but the proposed Exempt Facility Project is not in response to a Regulatory Mandate. These Applications will be evaluated based on the criteria set forth in subsection E, below, and ranked and awarded Allocations from the Exempt Facility Project Pool based on such ranking.

C. Businesses, Other than First Tier Businesses, Under Regulatory Mandate

If any part of the Exempt Facility Project Pool remains unallocated after the Committee makes the Allocations under subsections A and B, above, the Committee will then consider Applications in which the Project Sponsor is not a First Tier Business, but the Exempt Facility proposed by the Application is in direct response to a Regulatory Mandate. These Applications will be evaluated based on the criteria set forth in subsection E, below, and ranked and awarded Allocations from the Exempt Facility Project Pool based on such ranking.

D. All Other Applications for Exempt Facility Projects

If any part of the Exempt Facility Project Pool remains unallocated after the Committee makes the Allocations under subsections A, B and C, above, the Committee will then consider all other Applications for Exempt Facility Projects. These Applications will be evaluated based on the criteria set forth in subsection E, below, and ranked and awarded Allocations from the Exempt Facility Project Pool based on such ranking.

E. Criteria for Evaluation of Applications for Exempt Facility Projects

1. Environmental Impact. The Executive Director will consider whether the project promotes environmental quality in connection with the construction and operation of the Exempt Facility Project. Specific factors include:
 - a. Whether the Exempt Facility Project will result in an improvement of air quality.
 - b. Whether the Exempt Facility Project will result in an improvement of water quality.
 - c. Whether the Exempt Facility Project will result in an improvement in energy efficiency.

- d. Whether the Exempt Facility Project will result in the recycling of commodities (glass, aluminum and other marketable materials) and greenwaste (composting and other organic wastes).
 - e. Whether the Exempt Facility Project will comply with all applicable state and federal environmental regulations regarding the safe disposal of solid waste.
 - f. Whether the Exempt Facility Project achieves its environmental goals on a cost effective basis to the consumer.
2. Leveraging. The Executive Director will consider whether the Exempt Facility Project will use taxable bond financing or other forms of financing (not including the minimum cash equity required by the Credit Enhancer) in addition to tax-exempt bond financing in a manner such that the taxable bond financing or other forms of financing (not including the minimum cash equity required by the Credit Enhancer) will supplant the use of tax-exempt bond financing.
 3. Local Government Support. The Executive Director will consider documentation submitted by local regulatory agencies or local government demonstrating local government support of the Exempt Facility Project and whether the Exempt Facility Project supports and contributes to local waste management policy and planning. Examples of such support may include the identification of the Exempt Facility Project in the applicable elements of an approved County Integrated Waste Management Plan or Regional Agency Integrated Waste Management Plan.
- F. The Committee may consider, under subsection D, above, Applications for Exempt Facility Projects or programs, other than solid waste disposal facilities, not otherwise included in Sections 17 through 20 of these Procedures, but eligible for consideration for Qualified Private Activity Bond Allocation as Exempt Facility Projects. Such Exempt Facility Projects may include, but are not limited to, bonds issued by a government agency to acquire any property from an investor-owned utility, sewage facilities, facilities for the furnishing of water, facilities for the local furnishing of electric energy or gas, qualified hazardous waste facilities, mass commuting facilities, local district heating or cooling facilities, environmental enhancements of hydroelectric generating facilities, high-speed inter-city rail facilities, Enterprise Zone Facility Bonds and the Equipment Only Purchase Programs administered by the California Pollution Control Financing Authority. In evaluating such Exempt Facility Projects or programs, the Executive Director will review each Application on a project-by-project basis considering the public benefits proposed.
 - G. The Committee may approve Exempt Facility Projects that convert taxable debt to tax-exempt debt as economic conditions and annual demand for the State Ceiling allow.
 - H. For a proposed Enterprise Zone Facility Bond project that the Applicant has determined to possess the characteristics described by any of the criteria under this Section 21, the Applicant shall apply for Allocation under this Section 21 and the criteria under this Section 21 shall be used to evaluate the Application.

Section 22. Allocation System for Student Loan Programs

I. Minimum Requirement

In order to be considered for an Allocation for a Student Loan Program, an Applicant must be a California nonprofit corporation organized pursuant to Section 150(d) of the Internal Revenue Code of 1986, as amended, that possesses the authority to directly or indirectly make or finance student loans under the Higher Education Act of 1965, as amended, or be a State Agency.

II. Evaluation Criteria

Once the Executive Director has determined that an Application has met the minimum requirement set forth in subsection I above, the following criteria will be used by the Executive Director to evaluate, rank, and award Allocations from the Student Loan Program Pool:

A. Student Loan Program Direct Lender Programs

Allocations from the Student Loan Program Pool will be first awarded to Applications in which the Program Sponsor is a direct lender originating student loans (which for the purposes of this Section II.A excludes loans made for the purpose of consolidating or otherwise combining existing student loans) to eligible borrowers in the state. These Applications will be evaluated based on the following criteria:

1. The total dollar amount and corresponding percentage of student loans originated by the Program Sponsor which assist financially needy borrowers in California, as such term is construed by the U.S. Department of Education for the purposes of the federal student loan programs. The data relied upon may be direct or derived from sources deemed by the Executive Director to be accurate.
2. The total cost of borrowing per borrower. This cost estimate should include origination fees, interest costs, and all other fees or expenses incurred by a borrower.
3. The extent to which the Program Sponsor timely markets and disburses student loans as evidenced by its use of previous and existing allocations from the Committee for direct lender student loan programs.

B. Student Loan Secondary Market Loan Purchase Programs

If any part of the Student Loan Program Pool remains unallocated after the Committee makes the Allocations under subsection A above, the Committee will then consider Applications in which the Program Sponsor is a purchaser of student loans in the secondary market. These applications will be evaluated based on the following criteria:

1. The degree to which financially needy students benefit based on an evaluation of the percentage of borrowers with subsidized Stafford loans currently held in portfolio versus borrowers with only unsubsidized Stafford loans.
2. The use of recycled funds for additional programs that may benefit students other than loan purchase programs, such as grants, new loans, scholarships, student outreach, and borrower benefit programs offered by the Program Sponsor.
3. The leveraging of the tax-exempt private activity bond allocation awarded to a Program Sponsor through the use of taxable bonds and other taxable securities.
4. The extent to which the Program Sponsor has timely and effectively used previous and existing allocations from the Committee for secondary market loan purchase programs.

Section 23. Appeals

At least twenty-five (25) calendar days prior to any meeting at which the Committee will award Allocations, the Executive Director will post a preliminary list of Applicants for which the Executive Director expects to recommend an Allocation (and the amount of those Allocations) in ranked order. This list will identify the points earned by each Applicant in all categories for which points are awarded, including the Applicant's aggregate total points. The Executive Director will post the list at the Committee's Internet and street addresses shown in Section 24 of these Procedures.

Any Applicant or Project Sponsor who wishes to appeal the recommendation or ranking pertaining to that Applicant's or Project Sponsor's Application may file an appeal with the Executive Director within five (5) business days of the date on which the preliminary list is posted. The only ground for an appeal is a dispute in the awarding of or failure to award points. The appeal must set forth in reasonable detail the factual basis for the appeal. No new or additional information may be provided to or considered by the Executive Director in connection with the appeal. Such an appeal must be made in writing and delivered to the Committee, at the street address or fax number shown in Section 24 of these Procedures, no later than 5:00 p.m. (Pacific Time) on the last day specified for filing an appeal.

After deciding all appeals, the Executive Director will notify each Applicant who appealed of the decision of the Executive Director on the appeal. At least ten (10) calendar days before the Committee meeting at which Allocations will be made, the Executive Director will post a final list of Applicants for which Allocations will be recommended (and the amounts of those Allocations) in ranked order. This list will reflect changes, if any, in ranking resulting from the appeals. The Executive Director will post the list at the Committee's Internet and street addresses shown in Section 24 of these Procedures.

Any Applicant or Project Sponsor who timely appealed the Executive Director's preliminary determination and is dissatisfied with the Executive Director's final recommendation in connection with the Application, may present its case to the Committee at the meeting at which the Application is considered, provided that the Applicant or Project Sponsor notifies the Executive Director, in writing, of its intention to do so at least five (5) business days prior to the meeting. An Applicant's or Project Sponsor's written notification must be delivered to the Committee, at the street address or fax number shown in Section 24 of these Procedures, no later than 5:00 p.m. (Pacific Time) on the last day specified for submitting such notification.

An Applicant and Project Sponsor may only appeal the scoring of their own Application(s).

Section 24. Inquiries

- I. For additional information about these Procedures, or for copies of the Application forms to be used in applying for a Qualified Private Activity Bond Allocation, please contact the Committee by calling (916) 653-3255 or by writing to:

Executive Director
California Debt Limit Allocation Committee
915 Capitol Mall, Room 303
Sacramento, CA 95814
Fax number: (916) 653-6827

- II. The Committee's Procedures and Application forms may also be obtained through the Internet. The Committee's Internet address is "<http://www.treasurer.ca.gov/cdlac.htm>".